FOREIGN AFFAIRS

MAY/JUNE 1997

Changing Course in the Persian Gulf

Articles by

ZBIGNIEW BRZEZINSKI BRENT SCOWCROFT RICHARD MURPHY
JAHANGIR AMUZEGAR GRAHAM FULLER IAN LESSER

Misreading Hong Kong

FRANK CHING

Business and Foreign Policy

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The New Enviromanticism

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FOREIGN AFFAIRS

MAY/JUNE 1997
VOLUME 76, NUMBER 3

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The overdeveloped Western world is hearing the call of a resurgent Romanticism blending love of nature, a critique of capitalism, and hard science. The mix could prove to be potent politics.

Fear of Flying *Gerald L. Baliles* 8

Forty percent of the world's trade now travels by air, yet aviation is still caught in a postwar web of bilateral agreements. A new global aviation regime is the solution.

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Every president since Richard Nixon has recognized that ensuring stability in the Persian Gulf is a vital U.S. interest. In its first term, the Clinton administration attempted to deal with the twin dangers of Iran and Iraq through a strategy of "dual containment" that kept both countries boxed in with economic sanctions and military monitoring. Dual containment, however, is more a slogan than a strategy, and far too blunt an instrument to serve American interests in the Middle East. The United States must employ a more nuanced approach, keeping the straitjacket on Saddam while seeking improved relations with Iran.

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Adjusting to Sanctions *Jahangir Amuzegar* 31

Economic bans and political invective against Iran have not worked. America, not the Islamic Republic, has become isolated. Meanwhile, both because sanctions are leaky and because they have pushed it to become more self-sufficient, Iran is actually doing better than many countries the United States has assisted. The sanctions also give the Islamic regime a scapegoat for its serious problems at home, merely prolonging its hold on power. The United States should abandon containment for a strategy of critical dialogue.

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The basic assumptions of U.S. policy toward the Gulf demand rethinking. The Pentagon pays up to $60 billion a year to protect the import of $30 billion worth of oil that would flow anyway. Playing the role of regional hegemon ties America to troubled regimes and leaves it out on a limb, while allies sit back. Washington must hedge against inevitable political change in the region by spreading the burden and the say, reversing arms proliferation, and encouraging the Gulf states to come up with some security of their own.

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Long before Hong Kong's scheduled July 1 reversion to China, the American media decided that the place was in grave danger, if not beyond salvation. The American doomsayers overlook that Hong Kong's borders, currency, and international memberships will remain intact. And although some civil liberties may be rolled back, an objective examination of China's behavior during the transition suggests that changes will be narrow rather than sweeping. Claims that post-1997 Hong Kong will cease to be the crossroads between East and West are alarmist.

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The connection between American business and foreign policy is poorly thought out and mismanaged, on both sides. It is, however, vital to the national interest. For most of the country's history, foreign policy has reflected an obsession with open markets for American firms. At one time, protecting the interests of a company like United Fruit was synonymous with policy toward Latin America. While those days may be gone, commercial interests must still play a central role. Herewith, a framework for the second Clinton administration to guide cooperation between the government and the business community for the benefit of both.

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In one sense Russia and China pose the same problems. An international order of trade and cooperation has been established, and the two countries are in the process of joining. But their central governments are weak—Russia's military is quasi-independent of Moscow, China's factories do not heed Beijing. Humiliation over national decline prompts symbolic defiance of the United States. Ukraine and Taiwan remain dangerous flash points that call for tacit deterrence. Like adolescents, Russia and China are in a transitional stage requiring patience and guidance rather than confrontation.

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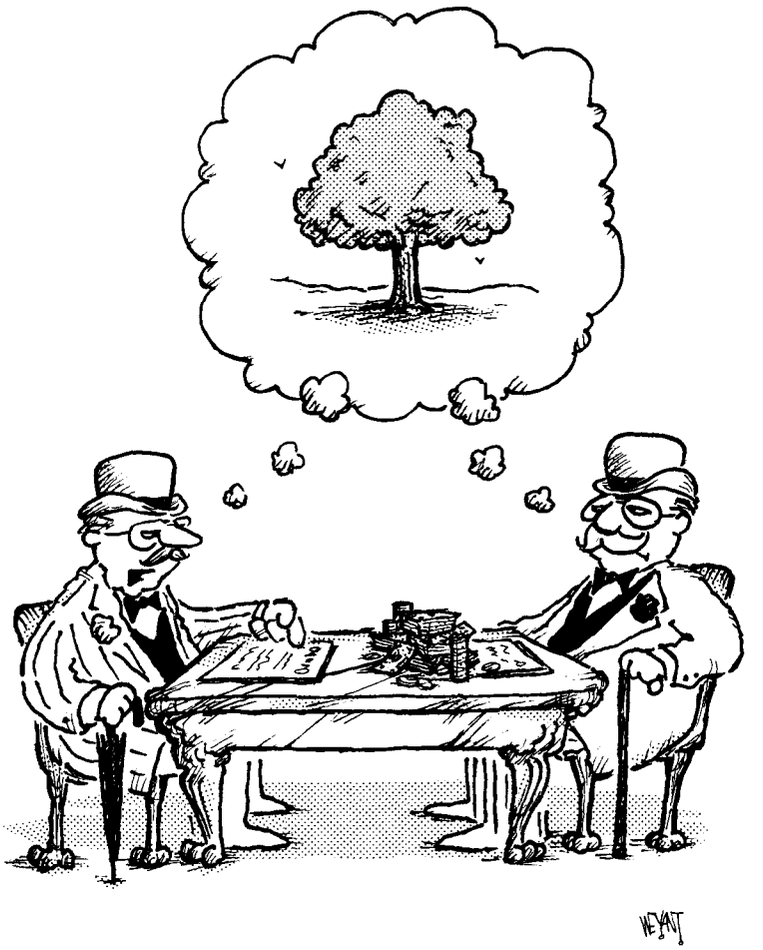

Modern capitalism sows the seeds of a new romance with nature.

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Enviromanticism

The Poetry of Nature as Political Force

James P. Pinkerton

O there is blessing in this gentle breeze,
A visitant that while it fans my cheek
Doth seem half-conscious of the joy it brings
From the green fields, and from yon azure sky.

So rejoiced William Wordsworth in 1795, walking from the city of Bristol into the countryside and the nature that sustained him. Three years later he and Samuel Taylor Coleridge published *Lyrical Ballads,* a slim volume embodying an emotional reaction to the formalistic strictures of Enlightenment classicism and a milestone in the triumph of Romantic thought and feeling in the West.

Two centuries later, in the midst of another fin-de-siècle and on the threshold of the next millennium—a double psychic witching hour—humankind feels the rustlings of a resurgent Romanticism. At the very moment when classical economics has rested its case, when gnomish central bankers and wonkish high-techers claim suzerainty, a new mode of thought and feeling—yet mixed with the implacable hard science of environmentalism—confronts the worldview of the backers of the unfettered market and limited government. Call it Enviromanticism.

Adam Smith's thesis may find its antithesis not in the doggedly optimistic tomes of Karl Marx but in the ecologically pessimistic writings of Edward O. Wilson, Paul Ehrlich, and David Quammen. These thinkers' environmental ideas pose the only significant challenge to the regnant paradigm of market economics. For every *Wall Street Journal* editorialist affirming cost/benefit analysis, there is an environmentalist preaching the opposite. Indeed, environmentalism may be the refutation of both capitalism and communism, each of which has aimed primarily at maximizing economic growth.

Only in this century has economic expansion provoked—or permitted—the rise of an earth-first politics. Many people have become aware that unbounded cultivation, extraction, and construction have disastrously degraded the ecosystem

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James P. Pinkerton served in the Reagan and Bush White Houses, departing as Deputy Assistant to the President for Policy Planning. He is a columnist for *Newsday* and a lecturer at the Graduate School of Political Management at the George Washington University.

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of the planet. In becoming estranged from nature, Wordsworth declared, "we have given our hearts away." Looking beyond the grind and hum of technology, today's neo-Wordsworthian human spirit searches for both rootedness and transcendence in a new Gaiac vision of the earth.

Yet Nature has been the wellspring not only of noble art and philosophy but also of dangerous politics, including systems based on misty, forested homelands and their *Volk*. While Wordsworthian romanticism settled into a stolid English Victorianism, in Mitteleuropa the Sturm und Drang of Goethe and Schiller released an energy that swept Metternich away, until Bismarck had the bright idea of hitching Romanticism to the service of Realpolitik. And in the 21st century, one can imagine that a new romance of the natural world, this one reinforced by science, could bubble the Zeitgeist caldron toward a new explosion, the precise nature of which today's enviromantics can foresee no more than could Wordsworth when he composed his lines above Tintern Abbey.

THE GREEN CRITIQUE

According to Ronald Inglehart, a political scientist at the University of Michigan, eco-consciousness is rising across all developed Western countries. Values have been shifting in recent decades, he writes in *Culture Shift in Advanced Industrial Society* (1990), "from an overwhelming emphasis on material well-being toward greater emphasis on the quality of life." Recognition and attempted amelioration of environmental damage is part of the growing effort among academics, journalists, and government officials to come to grips with what Senator Daniel Patrick Moynihan (D-N.Y.) has called postmodern social ills—maladies that have less to do with a lack of wealth than with the unintended consequences of the misallocation of wealth.

Although some environmentalists in the United States have formed alliances with the likes of conservative politicos Pat Buchanan and Ross Perot in opposing the North American Free Trade Agreement and freewheeling trade worldwide, the Green critique of market economics goes far beyond the patriotic protectionism of the right or the laborite Luddism of the left. Instead, it is a repudiation of virtually every familiar indicator of material well-being. Wordsworth saw the preoccupation with "getting and spending" as an abuse of human beings' deeper spiritual and creative powers. And since, as David Malin Roodman of the Worldwatch Institute asserts, it is in "the very nature of industrial economic systems to degrade the environment on which they depend," the factory and its bitter fruit are scorned by enviromantics.

This Green critique comes at a time when policy-propounding elites are threatened by an apparent mismatch between the number of would-be problem-solvers and the number of familiar problems that need to be solved. The business cycle has been evened out and angled upward, while schools improve and crime declines. If centrists of both parties can muddle through and achieve reasonable, boring solutions to conventional economic and social problems, then the excess intellectual energy of elites will inevitably flow elsewhere. As a spirit in the woods drew Wordsworth out of the city, so members of the post-millennial chattering class will likely be lured from their over-

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cultivated policy plots into the fecundly vexing mysteries of environmentalism.

A WINNING CAUSE

Inglehart's data suggest that Enviromanticism may also prove to be powerful politics. The gains of the ecological parties in Europe indicate a potential electorate larger than that of the conservatives, almost as large as that of the Christian Democratic parties, and three times that of the communists. If the European left wants to remain a political force, it must seize the leafy high ground. Nor is this a purely European phenomenon. In the United States, the Green Party candidate, Ralph Nader, finished fourth in last year's presidential election and ran second in many college precincts; the Greens actually took control of one small northern California town, named, appropriately enough, Arcata. A recent search of the World Wide Web turned up nearly two million references to "Green Party," suggesting that the Internet is fermenting some strong new brews of beliefs.

Yet in America, an outrider ideological movement triumphs only when major-party players adopt and co-opt the message. President Clinton's eagerness for reelection last year spurred a move to the right on budget balancing and welfare; his advisers' "triangulation" strategy led him leftward on environmental policy. In an elaborate ceremony last September, Clinton signed a proclamation establishing the 1.7-million-acre Grand Staircase–Escalante National Monument in Utah on land that a utility company had leased, proposing to open a large coal mine. The president's decision caused consternation in the Beehive State, where mining is a leading industry, but his handlers saw it as a plus on the East and West Coasts, in states with hundreds of electoral votes compared with Utah's five. Wilderness preservation as part of a safety net for the earth was a sturdy, pollster-certified plank of a winning political platform.

PLANETARY FORCES

In past decades, the largest group among the Greens was the so-called watermelons—green on the outside, red on the inside—who positioned the flora and fauna of the earth as the new oppressed proletariat. Other groups, however, loom larger in the environmental coalition of the future. To the verdant left one can now add a reconsidered right. The fishhook-and-bullet bunch may not share the advanced vegan-pagan consciousness of the Greens, but their lineage can be traced back to the strenuous outdoorsmanship of Theodore Roosevelt and includes George Bush, presidential tree planter, and Newt Gingrich, once-aspiring zookeeper. Just last year, reacting to the failure of Republicans in Congress to roll back environmental legislation, Senator John McCain of Arizona warned his fellow party members that they must assure the public that the G.O.P.'s environmental agenda "will consist of more than coining new epithets for environmental extremists or offering banal symbolic gestures."

Another force for the green is manifesting itself among the upper-middle and upper classes across the developed world. Affluent Westerners are "relatively open to social change," Inglehart observes, although "the appeal must make sense in terms of their worldview." A stroll through the local shopping mall suggests that what today's yupscale suburbanites

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want is a greened capitalism—organic, biodegradable products from the Body Shop, Fresh Fields markets, and the Rain Forest Cafe. To be sure, the suburbanite who drives his low-mileage sport utility vehicle to the local recycling depot might not qualify as a sincere environmentalist. Yet the distinction between the true-believing, ideologizing leadership and the more passive and less attentive rank and file is common in any movement; so long as the avant-garde activists do not move too far out in front of the regulars who merely vote and donate, the movement retains its muscle.

Also driving the new environmentalism are scientists. Some 519,000 "natural scientists" were employed in the United States in 1995, according to Labor Department statistics—an increase of nearly 50 percent in a dozen years. The number of "biological and life scientists" doubled over the same period, to 110,000. The influence of this waxing class of "hard" scientists, increasingly savvy about public relations and self-promotion, contrasts with the waning clout of social scientists, who have lost prestige in recent decades as their proffered solutions made many problems worse. These days it is the natural scientists who benefit from calamity or the prospect of it, as each day brings a new revelation about the toxic, mutagenic, or carcinogenic properties of some substance.

David Quammen explores the grimmest prospect of all in the most persuasive environmental book in recent memory, *The Song of the Dodo: Island Biogeography in an Age of Extinctions,* published last year to critical acclaim. Building on the work of the Harvard University entomologist Edward O. Wilson, Quammen asserts that even the costly strategy of setting aside nature preserves will ultimately fail to save endangered species. In humankind's "war" on other species, "the current cataclysm of extinctions is indeed likely to stand among the worst half-dozen such events in the history of the Earth." Quammen foresees the depredations culminating in the "silent spring" of which Rachel Carson warned in her book of that title 35 years ago.

Offering no quarter to those who think eco-compromise is possible, Quammen heaps scorn on efforts like the Endangered Species Act of 1973. Nor, he says, will the market-oriented ideas of free-market environmentalists, such as debt-for-nature swaps and eco-tourism, keep earth's other creatures alive. Only a drastic change in human ways can stop the downward spiral toward doom.

MAJOR FAITH

The final, still speculative, component of Enviromanticism is what proponents hope will be a broad-based movement: a green general will. Two centuries after the proto-environmentalist Jean Jacques Rousseau's death, prosperity and education have given humankind a longer perspective without providing a larger purpose. Since neither economics nor science can provide a satisfactory teleology, poets and philosophers are free to try to fill the void.

University of Wisconsin professor James I. McClintock, in his 1994 book *Nature's Kindred Spirits,* argues, "Ecology encourages a biocentric perspective that emphasizes kinship, even equality, between humans and other forms of life. Its compatibility with a Romantic outlook is striking." Indeed, Enviromanticism owes much to the first Age of Aquarius stirrings in the 1960s. Thirty years later it is clear

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that the shifts that set off earthquakes in mainline culture have never stopped; the lifestyles of aging baby boomers are more influenced by Eastern and New Age thinking than by the dictates of traditional Judaism and Christianity.

Senator Al Gore caused a stir when, in his book *Earth in the Balance: Ecology and the Human Spirit* (1992), he questioned the ecological viability of the internal combustion engine. And he forged beyond that challenge to modern orthodoxy to proclaim, "We must make the rescue of the environment the central organizing principle for civilization." Gore wrote of "a spiritual crisis" that can be resolved only with an "inner ecology that relies on the same principles of balance and holism that characterize a healthy environment." Not only did lightning not strike him down—a year later he was vice president.

Conservatives, pointing to recent books with titles like *Reweaving the World: The Emergence of Eco-Feminism* and *When the World Will Be As One: The Coming New World Order in the New Age,* have derided the environmental movement as greenolatry, a promiscuous yearning for something beyond tried and true subdue-the-earth Christianity. *The Weekly Standard* chastised Interior Secretary Bruce Babbitt for abandoning his Catholic upbringing and following the "priests of the snake clan." Of course, if the right's assessment is correct, the greenward trend will be all the harder to thwart; religious impulses rarely respond to rationalism. Political scientist Robert Booth Fowler, in his 1995 book *The Greening of Protestant Thought,* sees theo-environmentalism as "a fresh engagement in the permanent quest to bring Christ into the culture." Yet campuses and most other petri dishes of ideological efflorescence display less interest in monotheism than in pantheism or, more precisely, an oceanic affection for the natural world. Wilson in his book *In Search of Nature* (1996) writes of a spreading "biophilia," which he defines as "the innate and emotional affiliation of human beings to other organisms."

Despite their omnideistic distaste for modernity, many Greens display a surprising appetite for modern government in all its gigantism. There is precedent for that propensity: in the last century, the nationalistic passions inspired by Romanticism led to Bismarckian bureaucrats and empire-builders and eventually to the welfaring, warfaring nation-state. In the next century, Enviromanticism may well seek to reverse the current trend toward downsizing on the theory that only big government can wage war against eco-dämmerung. Worldwatch's Roodman almost begs politicians to seize this bureaupreneurial opportunity: "Forcing economic development onto an ecologically sound path will also take leadership at every level of government." He urges Group of Seven policymakers to "marshal domestic as well as international support for action."

But what sort of action is needed to save the green fields and azure sky of Wordsworth's rhapsody? In the next 25 years the urban population of the Asia-Pacific region is projected to more than double, to two billion–plus people. The number of private cars in the region is expected to jump nearly 600 percent, to 522 million. Asia, which now produces just a quarter of carbon dioxide emissions worldwide, will account for a third by 2025 and for half by the end of the 21st century. The next "yellow peril" the West

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fears may be off-color clouds of lung-searing, globe-warming, ozone-depleting molecules. So is it possible that nations will return to gunboat diplomacy in seeking to persuade the Chinese, for example, not to build the Three Gorges Dam or use CFCs in their refrigerators? Will well-meaning but self-righteous missionaries attempt to colonize minds and lands that haven't yet seen the light on conservation and recycling?

Like Romanticism before it, Enviromanticism could send passions spilling across national as well as intellectual boundaries, sparking war and its moral equivalent. Adam Smith and his cheerful vision of nations gaining wealth through peaceful commerce could yet be confounded—and Bismarck's harsh vision of conflict and conquest confirmed. In the Enviromantic 21st century, will eco-war be the health of the state?

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Fear of Flying

Aviation Protectionism and Global Growth

Gerald L. Baliles

Reduction of trade barriers has led to global economic growth, but tight restrictions and regulations on how people and goods reach markets still hamper the expansion of international commerce. Nowhere are the obstacles greater than in the skies above. Forty percent of the world's trade, by value, now travels by air. Forty percent of those crossing national borders arrive by air, with the percentage much higher in advanced growth regions. International travel accounts for half of all revenue passenger miles. Over the next decade, most estimates suggest, the travel industry will double its already sizable contribution to worldwide economic growth.

With the increasing importance of efficiently and economically transporting people and goods by air, an overarching international regime to govern air transportation—akin to the World Trade Organization (WTO) and its role in trade in goods and services—could bring enormous benefits. But no such regime exists. In fact, not a single international flight may take off or land without a bilateral agreement between the countries in question. This is true even if all the air carriers and airports involved are owned by private concerns. Bilateral aviation agreements often stipulate the number of flights, the routes, and the number of airlines that may serve specific markets. Worldwide, there are more than 1,200 such agreements in force today.

While the world is moving away from managed and protected trade in most goods and services, the air transportation by which people and products reach destinations and markets is still heavily regulated and often fiercely protected. This antiquated and costly state of affairs dates back to the United States' failure at the end of World War II to achieve the goal of open skies as part of a liberal postwar order. Other governments opposed the concept because the United States was

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GERALD L. BALILES is an attorney and former Governor of Virginia. He was appointed by President Clinton to chair the National Airline Commission, which completed its report in August 1993. Greg Principato and Rosalind K. Ellingsworth, the commission's Executive Director and Staff Director, contributed to this article.

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then the only country capable of mounting a global air transportation effort. Resistance to U.S. domination of the airways was reinforced by the sense of countries still at war that control of the skies was a critical security issue.

The bilateral approach was sealed in 1946 when the United States and Great Britain negotiated the first bilateral aviation agreement. Ironically, the two nations that would lead the world toward a liberal regime for the trade of other goods and services negotiated a much less liberal agreement to govern air services between themselves. Their agreement became the template that all other nations would use for the next three decades when deciding how to regulate routes, the number of flights and carriers serving each market, and the fares to be charged.

The system worked relatively well when few people traveled by air and nations needed to develop their infant commercial aviation industries at their own pace. As commercial aviation grew, nations sought broader access to international markets for their airlines, and aviation agreements were built on a "one for me, one for you," or "balance of benefits," basis. The benefits to be balanced were mostly those of the airlines involved, many of which were government-subsidized "flag" carriers—one per country, except for the United States. In time, however, heavy regulation of all aspects of aviation within domestic and international markets created conditions of inefficiency akin to those under a cartel.

REVERSING COURSE

In 1978 Congress passed the Airline Deregulation Act, deregulating commercial aviation in the United States and allowing American carriers to serve any domestic market they chose. Competition fostered by deregulation forced American companies to become more imaginative and efficient. The act also prompted Washington to campaign for international deregulation, thus coming full circle to its original open-skies proposal of 1944. Not long after the American action, Margaret Thatcher privatized British Airways. Once known for inefficient operations and poor service, British Airways now boasts global reach and an international reputation for reliable, high-quality service. With other countries following suit, the number of nationally owned carriers dwindles while the list of deregulated markets grows. The European Union (EU), for example, will completely deregulate its internal aviation market this year.

As a result of all this activity, many of the world's airlines have become more competitive in more markets. Travelers and companies shipping by air have profited from lower fares and improved service. But those airlines continuing to operate in heavily regulated markets remain much less efficient than those based in countries with deregulated systems. As the gap between the most and least efficient carriers widens, the 1,200 bilateral aviation agreements worldwide become increasingly untenable. They represent a global regulatory morass that has the ultimate effect of managing trade in basic transportation in order to maintain major countries' market share and protect home carriers and labor forces. Among the many examples of subjugating efficient commerce to the narrow interests and financial advantage of individual airlines, the best known are the United States' ongoing disputes with Britain and Japan.

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Years of negotiations have yielded little progress in breaking down the flight-by-flight restrictions and other detailed regulations in these two huge bilateral markets. But the U.S.-British case offers an unprecedented opportunity. In June 1996 two of the largest airlines in that market, American Airlines and British Airways, agreed to create a partnership that will require a new bilateral open-skies agreement to work effectively. Other airlines in both countries, however, are demanding that their governments secure for them such specific pay-offs that the opportunity to create an open trade environment may once again be lost. The governments, for their part, are so acquainted with traditional methods of aviation trading that they are finding it hard to break out of the "one for me, one for you" approach.

The 1952 agreement between the United States and Japan has many liberal features, permitting a number of airlines to fly from either country to third-country markets (for example, U.S. airlines can fly from Tokyo to all other markets in Asia). But in interpretation over the last 30 years, the rights under the agreement have been reserved for just two passenger airlines in the United States and one in Japan, and over the past decade those rights have been progressively restricted in terms of capacity. A number of cities in the United States, the United Kingdom, and Japan could support direct airline service, and a number of airlines not currently serving those markets are willing to fly the routes. But so far, the carriers already in the market have blocked their governments' efforts to reach market expansion agreements.

The aviation relationship between the United States and the EU, the world's two largest trading areas, is similar. Although its aviation market will be deregulated this year, the EU does not have the authority to negotiate services with non-member states like the United States, largely because prominent members like Britain, Italy, and France are skeptical of Brussels' negotiating ability. The United States thus chose to proceed bilaterally, achieving breakthroughs in 1995-96 when liberalizing agreements were reached with more than half the EU's member states, including Germany.

The next opportunity for regional progress may be between the United States and Asia. Washington is receiving positive responses to proposals for open-skies deals with several Asian countries. Singapore, Brunei, and Taiwan have already signed open-skies agreements. Malaysia is finalizing language, and New Zealand and Korea have stated that they are interested in signing open-skies agreements this spring. Asia's geography dictates that, as regional growth takes off, air transportation will be the primary means for conducting international business and trade. Moreover, new technology will soon allow carriers to fly directly to previously remote destinations from points in the United States and Europe without refueling.

The United States has urged that the leaders of the Asia-Pacific Economic Cooperation forum liberalize aviation throughout the region, perhaps on the timetable APEC leaders have set for trade in goods and services—by 2010 for most countries. If for no reason other than the region's geography, the potential unleashed by liberalizing APEC trade will be constrained if the region's aviation network does not expand. As might be expected,

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the airlines in some APEC countries would be more comfortable with a more restrictive and less competitive approach. But if the political leaders and the businesses that depend on air transportation stand their ground, optimism may not be misplaced.

FLIGHT PATH TO THE FUTURE

The growing importance of air transportation will require that change occur faster than under the current system of nation-by-nation, flight-by-flight bilateral agreements. President Clinton has the opportunity to break the mold in the field of international aviation and lay the foundation for a new, rapidly growing system of global commerce. He could seize the initiative by declaring a global transportation regime the next step in making trade an engine of global growth. The president should declare that aviation liberalization will be pursued not simply as an exercise in gaining and protecting market share for airlines on a bilateral basis, but as a means of fostering growth all over the globe.

By making aviation liberalization part of the debate over the expansion of global commerce, President Clinton can move international aviation policy beyond the interests of air carriers, helping other businesses and workers who need better air transportation to develop markets for their products. Fortunately, the process would not start from scratch. The market-opening agreements with European countries, the relatively liberal arrangements with some Asian nations, and the negotiations for similar terms now under way with other countries provide a basis for a new international initiative. In the western hemisphere, a 1995 deal with Canada will lead to full liberalization next year, and agreements with Mexico and many of the Central American and Caribbean nations are already quite liberal. The United States should make a point of extending deregulation to the rest of the hemisphere as it works to expand NAFTA to Chile and other countries.

While American leadership is already in evidence, the most critical elements of a grand design are not yet in place. What is needed now is creative diplomacy. The United States still lacks open competition agreements with its two largest overseas aviation partners, Britain and Japan. While achieving such agreements will not be easy, the United States possesses considerable leverage, including carrots and sticks involving access to and participation in its domestic markets. While flights that both originate and end in the United States are not yet politically feasible for foreign carriers, the possibility of forming enhanced relationships, perhaps including franchises, with American counterparts should be of interest. If deals can be reached with Britain and France, the two nations might drop their opposition to allowing the EU to negotiate a transatlantic aviation agreement. Likewise, a deal with Japan could make other Asian nations more comfortable forging open-skies agreements with the United States and, ultimately, other nations.

The United States should lead the effort to bring together these many arrangements, assuring access to air transportation to and among the world's great and emerging economies. While not all nations may be able to participate immediately (as was the case with the General Agreement on Tariffs and Trade a half-century ago), others could join later, as many have done with the WTO.

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In time this grand design could be institutionalized, whether within the WTO or some other structure. This approach would also help link together regional trading arrangements. And if regional organizations can improve transportation between themselves, they can contribute to the development of global trade while reducing the likelihood that regions will restrict trade with one another.

President Clinton's lasting legacy may be the realization of a global commitment to expanded commerce. His administration has accomplished much in its first term. But a grand design for open global aviation is crucial to completing the task. If the transportation system does not fly, the trading system cannot get off the ground.

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Creating Modern Oman

An Interview with Sultan Qabus

Judith Miller

The Sultanate of Oman has long been known for discretion in its affairs. Until 1970, the strategically placed country, the size of Colorado with two million people and 1,000 miles of coastline along the Gulf of Oman and Arabian Sea, was virtually cut off from the world. Ruled by an eccentric autocrat, Said bin Taymur, who tried to shut Oman off by, among other things, banning sunglasses and severely restricting education and foreign travel, Oman received few visitors other than British officers who had helped him suppress a series of rebellions in the interior in the 1950s.

Eager to develop his country and encouraged by the British who had educated him, Qabus bin Said, the sultan's only son, overthrew his father in a bloodless coup in 1970. Twenty-seven years later, Oman has been transformed. The country now has a modern infrastructure, spotless streets, and a highly professional military that devotes much of its budget to civic action. Yet it retains its identity.

Sultan Qabus, 56, has charted an independent course for his country. In 1979 Oman was the only Arab state to recognize President Anwar al-Sadat's peace accords with Israel and today is the only Gulf state with a trade office in Tel Aviv. In 1980 it signed an agreement granting American ships and planes access to Oman's military facilities, access that the allies credit with having shaved months off preparation time for the Persian Gulf War. The sultanate, however, advised by the British, who continued staffing senior posts as late as 1990, still tolerated few outsiders. There were no tourist visas.

Now the country is in the midst of another dramatic change. Oman is opening up—discreetly as usual. The sultan has convened a *Majlis al-Shura,* or Consultative Council, a partially elected parliament, which includes the only two women holding elected office in the Gulf region. Last November he unveiled a revolutionary Basic Law, in effect an Islam-based constitution, complete with a bill of rights that guarantees freedom of the press, religious tolerance, and equality of race and

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gender under law—unprecedented in its comprehensiveness in the conservative Gulf. Oman has no political prisoners, a rarity in the region. And it has a long tradition of religious tolerance, due in part to its Ibadhi sect's interpretation of Islam. The sultan himself has allocated land for Western churches and Hindu temples. It seems clear that he intends to move toward representative government and the rule of law, but at a measured pace, when his people are ready. "You can't push things too far or too fast in the Gulf," he told me in flawless English during a three-hour interview at his palace in Muscat in February.

IRAN'S THIRD FACTION

JM: Your Majesty, are you concerned about Washington's "dual containment" policy towards Iran and Iraq?

QS: Nations should be talking to one another. Iran is the largest country in the Gulf, with 65 million people. You cannot isolate it. You can be frank in expressing your grievances—and we are. I don't mince my words. I tell them that the whole world is beginning to work together, that they can't sit apart and go on without the rest of the world. They can't survive if they do. When I talk to some officials, I'm encouraged by their response. The issue is whether they can impress the others sufficiently.

Iraq is a different matter. Economic sanctions must remain until Iraq completely abides by the U.N. resolutions adopted at the Gulf War's end. Iraq violated the international code of conduct by invading a neighbor and by amassing weapons of mass destruction, far more than what was needed to defend itself. So no violation of the resolution, no detail, can be overlooked.

JM: But Washington justifies sanctions against Iran by citing Tehran's support for terrorism, its opposition to Arab-Israeli peace, and its own intensive efforts to develop weapons of mass destruction. Europe has failed in its quest for constructive engagement. Why not try isolation?

QS: I know that dealing with Tehran can be very difficult. Iran has different factions in its leadership. There are those willing to try to make Iran do what is needed to take its rightful place in the international community. But there is another side that lives in its own world, not in ours. Then there is a third faction that waits, and whose exact views are unclear. There is a hidden power struggle. My view is: if the government can bring itself to take a different approach to the West, one that produces benefits, then the third faction might support greater pragmatism. But there is no easy solution. Time will tell.

APPROACHING PEACE

JM: Are you content with the Arab-Israeli peace process since Israel agreed to redeploy in Hebron? What other tracks now deserve priority?

QS: The Palestinians remain the core of the problem. The second line is Syria and Lebanon. For Lebanon, the issue is one of security since Israel has not annexed any Lebanese territory. For its part, Syria wants to restart talks where they left off, which is not an unreasonable request. They don't want to return to square one all the time. Based on my

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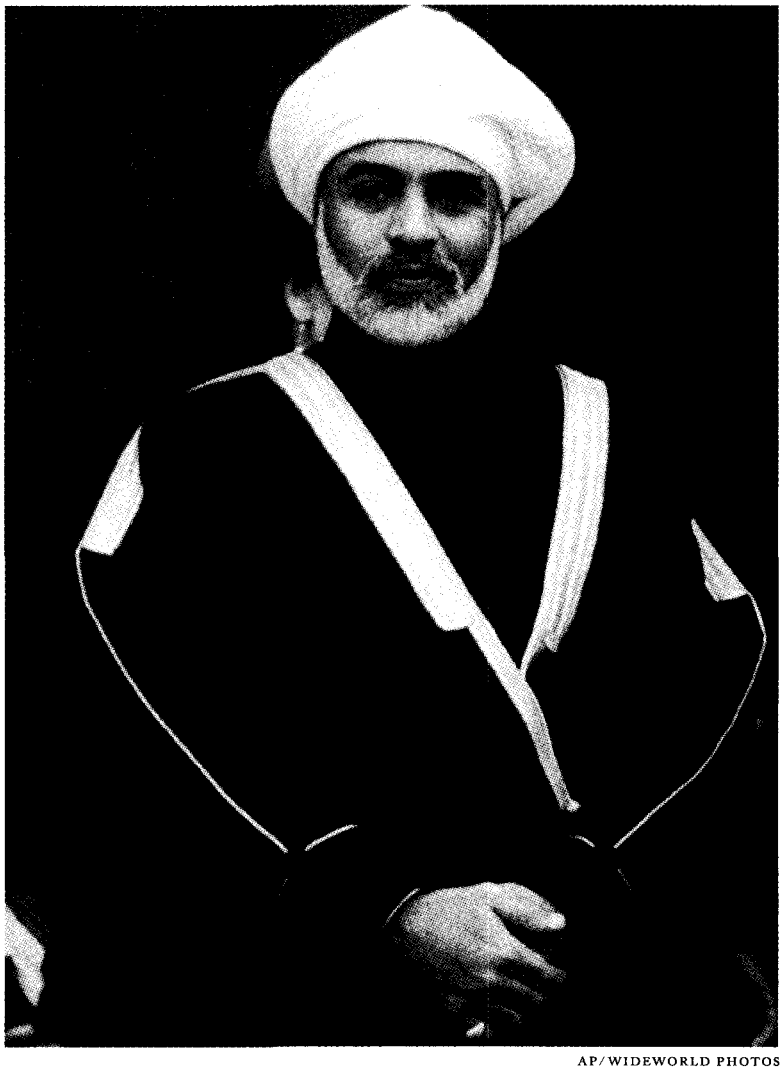

AP/WIDEWORLD PHOTOS

A cautious reformer: Sultan Qabus bin Said

conversations with Syria's leaders, I'm convinced they want peace, a comprehensive peace. There is no doubt. So once the Golan Heights issue is solved, there shouldn't be any problem with Syria.

But the big issue for us, particularly in the Gulf, is Jerusalem—guaranteed access to the city's holy sites, which is crucial for us, and the separate issue of who lives where. I don't want to speculate about how Jerusalem should be tackled or settled. That should be left to those concerned. Each side is aware of the other's political constraints. The rest of us should not intervene or pressure. Oman will support the Palestinians in whatever agreement they reach with Israel.

JM: But haven't senior Arab officials threatened to resume the economic boycott of Israel if the talks collapse?

QS: We watch the political thermometer closely. When it's hot, we make our

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views known to the Israelis. But a resumption of the boycott is not a possibility, happily. And quite frankly, I hope it's not on anyone's list. The boycott never worked anyway. We have walked so many kilometers towards peace that it would be tragic to start going backwards now.

RULE OF LAW

JM: You were nearly killed in a car accident two years ago in which your finance minister died. Did the accident prompt you to issue your remarkable Basic Law? Did it enhance your concern about succession?

QS: We used to be governed in a very traditional way. When I was entrusted to be the sultan, I already had some views about how the country should be ruled. I had spent six years living in Britain [1958-64] experiencing work in different sectors. That background gave me a good basis for thinking about things differently.

I had promised on the first day of my rule to create a modern government. But I knew change had to be entered into slowly, very slowly. The level of education had to reach a certain point so that people would know what we were talking about. We went from almost zero schools to more than a thousand and a university in 25 years. I had already established a Consultative Council, but one whose members were appointed by me, not elected. But it was all coming together. As I approached my silver jubilee, I said to myself: this is the time.

So I got together four of my most trusted people—all Omanis. I sat with them and told them exactly what I had in mind. I gave them a year to formulate it in a legal document. Then we had a second review, and then a final session.

I announced it on my annual "Meet the People" tour while encamped in the desert in the heart of Oman. Then I waited for the reaction, which was very good. Now the Basic Law is being implemented through laws and regulations. I had hoped that this could be done within two years, but that period may have to be extended for an additional year. We'll see. By the year 2,000, I want it implemented.

My first priority is to establish a judicial system—a Supreme Court and other judges and courts. [At present there is no such court in any of the Gulf countries.] The Supreme Court will be the guardians of the law. Without that you can't have a proper government. They are the ones to say what is right and wrong. My role is to see that the interests of the people are taken into account. It's not my role to interpret the law. Only if certain basic things go wrong would I intervene, as would any head of state. And I will appoint the judges.

JM: Your Majesty, does your new Basic Law address local concerns about influence peddling by barring ministers from holding senior business posts?

QS: Islam gives people the right to own private businesses. But no minister should use his public post for private gain. So those who hold senior public posts should resign from their private boards. We'll also look at whether their family members should also resign. The people I chose were selected because I trusted them, not because they are my friends or rela-

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tives. If they go astray, I'll find someone else. I feel strongly about this.

JM: You have said that you hope the *Majlis'* 80 members will eventually be elected and that the parliament's mandate will expand to making rather than simply reviewing and suggesting laws. Should a sultan eventually be elected?

QS: At present, people throughout the country meet in their districts and select two or three *Majlis* candidates, and we choose among them. In the long run, the *Majlis* will be elected, yes, by all Omanis. And the *Majlis'* powers will expand with time, but slowly, so there are no earthquakes. But we are still largely a tribal society, and it's still the government's duty to defend the country. The man in the street often doesn't want or know how to deal with foreign governments or defend the country. He trusts me to do it. That is why these areas have been excluded from the *Majlis* debate. In this part of the world, giving too much power too fast can still be exploited. Elections in many countries mean having the army prevent bloodshed. Is this democracy? Are these happy countries? Do such elections give people real choices? No. They are really just power struggles. I'm against creating such situations when people aren't ready for them.

As for the sultan, he is already elected, but not in the way you know. In Oman, you have to earn kingship. We have no heirs apparent. I myself did not become sultan until a week after the event [deposing his father]. I was only *sayyid,* that is, roughly, lord, until key members of my family and the other leading tribes approved me.

As for a successor, the process, always known to us, has now been publicized in the Basic Law. When I die, my family will meet. If they cannot agree on a candidate, the Defense Council will decide, based on a name or names submitted by the previous sultan.

I have already written down two names, in descending order, and put them in sealed envelopes in two different regions.

PROGRESSIVE ISLAM

JM: What are some of your proudest accomplishments?

QS: I congratulate myself for some things, such as the progress women have made. I never said you must do this or you can't do that. I offered services, such as education, and let the families decide. And more of them than I expected chose to accept schools for girls from the beginning. So we have been able to make progress and safeguard tradition.

JM: Why haven't the more radical provisions of your Basic Law, such as equal rights for women, been challenged by militant Islamists as "un-Islamic"?

QS: Islam is not opposed to progress. You can't stop evolution. And while we believe that certain traditions should be observed, Islam provides for *ijtihad,* for everything being reviewed and interpreted in the time and context of the moment. Those who argue differently are using Islam for their own political reasons. They twist things, and they give our religion the wrong image. There is nothing in Islam that prevents a society from living in its day within a framework of tradition. Even in the

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time of the Prophet, women took their rightful place in society.

There should be no discrimination against working women. They should have the same job titles, salaries, and benefits.

The problem now is that more and more ladies want jobs. So men are feeling the heat. They're competing with us! I say, why not? We have senior ladies in government. I hope we'll have some more senior women in government soon. We're making progress, but quietly. Slowly. I believe in evolution, and not a sudden evolution. But the progress we've made is irreversible.

INTERNATIONAL ● DOCUMENTS
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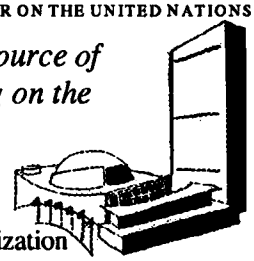

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Essays

CORBIS-BETTMANN

Troops from the U.S. Army's elite 82nd Airborne, Saudi Arabia, September 1990

Dual containment is more a slogan than a strategy.

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Differentiated Containment

Zbigniew Brzezinski, Brent Scowcroft, and Richard Murphy

POLICY TOWARD IRAN AND IRAQ

THE PERSIAN GULF is one of the few regions whose importance to the United States is obvious. The flow of Gulf oil will continue to be crucial to the economic well-being of the industrialized world for the foreseeable future; developments in the Gulf will have a critical impact on issues ranging from Arab-Israeli relations and religious extremism to terrorism and nuclear nonproliferation. Every president since Richard Nixon has recognized that ensuring Persian Gulf security and stability is a vital U.S. interest.

The Clinton administration's strategy for achieving this goal during the president's first term was its attempted "dual containment" of Iraq and Iran. This is more a slogan than a strategy, however, and the policy may not be sustainable for much longer. In trying to isolate both of the Gulf's regional powers, the policy lacks strategic viability and carries a high financial and diplomatic cost. Saddam Hussein is still in power six years after his defeat at the hands of a multinational coalition, and the international consensus on continuing the containment of Iraq is fraying. The strident U.S. campaign to isolate Iran, in turn, drives Iran and Russia together and the United States and its Group

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of Seven allies apart. Finally, the imposing U.S. military presence that helps protect the members of the Gulf Cooperation Council (GCC) from external threats is being exploited by hostile elements to take advantage of internal social, political, and economic problems. The advent of the Clinton administration's second term, together with the imminent inauguration of a new administration in Iran following this May's elections, provides an opportunity to review U.S. policies toward the Gulf and consider whether midcourse corrections could improve the situation.

The first step in such a reevaluation is to view the problems in the Gulf clearly and objectively. In Iraq, the United States confronts a police state led by an erratic tyrant whose limited but potentially serious capacity for regional action is currently subject to constraint. In Iran, the United States confronts a country with potentially considerable military and economic capabilities and an imperial tradition, which occupies a crucial position both for the Gulf and for future relations between the West and Central Asia. If Iraq poses a clear and relatively simple immediate threat, Iran represents a geopolitical challenge of far greater magnitude and complexity.

Consultation with leaders of some Persian Gulf countries has made it plain to us that they do not share an identical view of the threat posed by Iraq and Iran. Hence no U.S. Gulf policy will satisfy everyone in every respect. That makes it all the more essential that any adjustment in U.S. policy toward Iraq and Iran be preceded by extensive consultations with friendly Gulf leaders. Inadequate dialogue and unilateral action have caused some insecurity in the region and weakened trust in U.S. steadfastness.

PERSISTENT PROBLEMS

WHEN THE British withdrew from the Persian Gulf in 1971, the United States became the principal foreign power in the region. For almost three decades it has pursued the goal of preserving regional stability, using a variety of means to that end, particularly regarding the northern Gulf powers of Iraq and Iran.

At first the United States relied on Iran as its chief regional proxy, supporting the shah's regime in the hope that it would be a source of

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stability. This policy collapsed in 1979 with the Iranian Revolution, when Iran switched from staunch ally to implacable foe. During the 1980s, the United States strove to maintain a de facto balance of power between Iraq and Iran so that neither would be able to achieve a regional hegemony that might threaten American interests. The United States provided some help to Iraq during the Iran-Iraq War of 1980-88, moved in other ways to counter the spread of Iranian-backed Islamic militancy, and provided—with Israeli encouragement—some help to Iran, chiefly in the context of seeking the release of American hostages. This era ended with Iraq invading Kuwait in 1990 and the United States leading an international coalition to war to restore Kuwaiti sovereignty and defeat Iraq's bid for dominance.

Dual containment was supposed to be a temporary solution.

The Clinton administration came into office in 1993 facing the challenge of ensuring Gulf stability in a new international and regional environment. The disappearance of the Soviet Union gave the United States unprecedented freedom of action, while the Madrid Conference, sponsored by the Bush administration, inaugurated a fundamentally new phase of the Middle East peace process, offering hope that the Arab-Israeli conflict might eventually prove solvable. The Clinton team's initial Middle East policy had two aspects: continued support for the peace process and dual containment of Iraq and Iran. These strands were seen as reinforcing each other: keeping both Iraq and Iran on the sidelines of regional politics, the administration argued, would protect Saudi Arabia and the smaller Gulf monarchies and enable Israel and the moderate Arab states to move toward peace, while the burgeoning Arab-Israeli détente would demonstrate that the attitudes of the "rejectionist front" were costly and obsolete.

Dual containment was envisaged not as a long-term solution to the problems of Gulf stability but as a way of temporarily isolating the two chief opponents of the American-sponsored regional order. Regarding Iraq, the policy involved maintaining the full-scale international economic sanctions and military containment the administration had inherited, including a no-fly zone in southern Iraq and a protected Kurdish enclave in the north. The Clinton administration stated

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that it merely sought Iraqi compliance with the post–Gulf War U.N. Security Council resolutions, particularly those mandating the termination of Iraq's weapons of mass destruction programs. In practice, the administration made it clear that it had no intention of dealing with Saddam Hussein's regime, and seemed content, for lack of a better alternative, to let Iraq stew indefinitely. The administration responded to Iraqi provocations, but saw little opportunity to oust Saddam except at great cost in blood and treasure.

The dual containment policy initially involved mobilizing international political opposition against Iran, together with limited unilateral economic sanctions. The Clinton administration asserted that it was not trying to change the Iranian regime per se but rather its behavior, particularly its quest for nuclear weapons, its support for terrorism and subversion in the region, and its opposition to the peace process. By early 1995, however, the U.S. attitude toward Iran began to harden. The Iranian behavior at issue had continued. But the real impetus for a shift seems to have come out of American domestic politics, in particular the administration's desire to head off a challenge on Iran policy mounted by an increasingly bellicose Republican Congress.

Congressional initiatives were designed to increase pressure on so-called rogue states such as Iran and Libya, to the point of erecting secondary boycotts against all parties doing business with them, including American allies. Hoping to deflate support for such action, in spring 1995 President Clinton announced (with an eye on domestic politics at the World Jewish Congress) that he was instituting a complete economic embargo against Iran. The move achieved its intended domestic effects in the United States, but only temporarily. Late in 1995 pressure from Congressional Republicans, led by House Speaker Newt Gingrich (R-Ga.), called for covert action against the Iranian regime, and last year Congress passed the Iran and Libya Sanctions Act, which the president signed. This legislation mandates U.S. sanctions against any foreign firm that invests more than $40 million in a given year in the development of energy resources in Iran or Libya. Not surprisingly, it has been strenuously opposed by America's allies as an unjustifiable attempt to coerce them into following a hard-line policy.

At the start of President Clinton's second term, therefore, U.S. Persian Gulf policy is at an impasse. Saddam Hussein remains in

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power in Iraq and has even regained some control over the Kurdish areas of the north, while the Gulf War coalition that defeated him is eroding. Toughened U.S. sanctions against Iran, although doing some damage to the Iranian economy, have produced no major achievements and increasingly isolate America rather than their target. The continued willingness and ability of some members of the GCC and others to help implement these policies is open to question. What, then, is to be done?

BEYOND AGGRESSIVE TYRANNY

THE CONTINUED rule of Saddam Hussein poses a danger to the stability and security of the region. He has threatened his neighbors while doing everything possible to acquire weapons of mass destruction in direct violation of international law, even during the last several years, when subject to the most restrictive supervision in the history of international arms control. Although there are real costs involved in maintaining Iraq's pariah status, it is difficult to see how any policy in the military sphere other than continued containment can be adopted so long as Saddam remains in power. The United States should be prepared to maintain Iraq's military containment unilaterally should the will of others falter. Similarly, while there are costs to keeping Iraq's oil off the world market, retaining the economic embargo in general is necessary, because with unrestricted access to large profits Saddam would likely embark on further military development.

The United States may, however, need to consider a revised approach to the political and economic aspects of Iraq's containment, because not all of them can be implemented unilaterally. Furthermore, they have unfortunate consequences on the humanitarian situation in Iraq, which especially concerns some members of the GCC. While America's basic goal should continue to be keeping Saddam's Iraq in a straitjacket, the United States may need to adjust the fit to ensure the straitjacket holds. There should thus be five corollaries to the basic containment policy, not all of which the Clinton administration has adequately stressed.

First, the international community must credibly demonstrate its concern for the Iraqi people even if their own ruler does not. Sanc-

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tions against Iraq continue to be necessary, but the United States and others should try to mitigate the sanctions' effects on ordinary Iraqis. The offer to permit Iraq to sell some oil and use the proceeds to alleviate its humanitarian problems has been on the table since the end of the Gulf War and remains a good idea. Saddam's recent willingness to accept stringent conditions on the disbursement of the funds from such oil sales has led to the deal enshrined in U.N. Security Council Resolution 986, which was designed to address this problem. If it becomes necessary or appropriate to ease Iraq's economic containment, the sanctions should be suspended rather than lifted completely, so that the international community can easily reimpose them should unacceptable Iraqi behavior resume.

Saddam Hussein still poses a threat to the security of the Gulf.

Second, the United States should reassure Iraqis and their neighbors that while America continues to seek political relief for the Iraqi people, it is committed to the integrity of the Iraqi state. The ultimate goal of U.S. policy should be an Iraq that retains its existing borders and that at some point after Saddam has left the scene can take its rightful place as a legitimate member of the international community. Any doubts about this should be dispelled.

Third, the United States should consult more closely with Turkey on areas of common interest. Turkey's continued support for U.S. policy in northern Iraq is crucial, and to secure it Washington should confer on how best to stabilize the situation in Iraqi Kurdistan. If the Turks are not comfortable with the status quo, including the arrangements for Operation Northern Watch, the United States should discuss with them what might be done to address their concerns.

Fourth, the United States should send a clear signal that it is prepared to work with a post-Saddam Iraqi regime. That such a regime be benign and democratic is desirable but unlikely, so these factors should not be prerequisites for Iraq's reintegration into regional politics. American officials should state that they would be prepared to deal with any Iraqi regime—including one that emerged from within the military or the Baath Party—that is ready to fulfill Iraq's basic international obligations. To start relations from as clean a slate as possible, the

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United States should consult with interested parties about whether a post-Saddam regime should be offered relief from Iraq's enormous debts or Gulf War reparations. Such a gesture would be a sensible way to deal with the problems of Iraqi reconstruction, and it might even help induce aspiring successors to step forward.

Fifth, if and when Saddam's regime crosses clearly drawn lines of appropriate behavior, particularly with regard to its weapons of mass destruction programs and its threats to other countries, the United States should punish it severely and effectively. For several years the United States has responded to Iraqi provocations with more bluster than action; the precedent of Operation Desert Storm shows the reverse is a better strategy. With his behavior incurring militarily insignificant penalties, Saddam may have concluded that he can continue to maneuver with relative impunity to heighten the contradictions in the allied coalition. This cat-and-mouse game should stop. There must be no doubt in anyone's mind that should Saddam try to break his containment through force, he will be punished. Accompanying such resolve must be a serious diplomatic effort to nurse the Gulf War coalition of European and Arab countries and Japan back to robust health. Forceful American action can and should build on multilateral consultation and a sense of purpose and necessity; it should not be conditioned on allied approval, but neither should the United States be perceived as ignoring allies' concerns or taking their support for granted.

BEYOND HOSTILE FANATICISM

IRAN'S GEOPOLITICAL importance is greater than Iraq's, and the challenge it represents is more complex. Given the American military presence, Iran does not currently pose a threat of military aggression, but its long-term policies could destabilize the region.

Several areas of Iran's behavior are frequently cited as sources of concern: its conventional military buildup, its opposition to the peace process, its promotion of Islamic militancy, its support of terrorism and subversion, and its quest for nuclear weapons. Terrorism and nuclear weapons, especially the latter, directly threaten U.S. national interests. Both issues, however, can be addressed by

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specific policy instruments, rather than the current crude and counterproductive attempt to cordon off the entire country. A more nuanced approach could yield greater benefits at lower cost.

Concerned about traditional military threats to regional security, some observers have worried about increases in Iran's conventional military capabilities. So far, there is little reason to believe that Iran's conventional military buildup will pose a direct challenge to U.S. regional supremacy. And for years to come, the United States will retain the capability to rebuff any such challenge.

The United States should take a nuanced position toward Iran.

Continued progress in the Middle East peace process is indeed an important American interest. Still, opposition to that process by another country should not be grounds for international excommunication. Israel itself has found it useful to have dealings with Iran on various occasions, most recently with the help of German mediation, and the United States should not feel constrained from doing the same when its interests so dictate.

Although Iran has often used religion as a cloak for subversion and terrorism, the United States must be careful not to demonize Islam, worrying simplistically about a "green menace" comparable to the old red one. The Iranian regime, unable to govern effectively, has lost appeal both at home and abroad. Sectarian, ethnic, and geographic cleavages within the Islamic world militate against the rise of a unified, Iranian-led threat.

Iran's support of violence and subversion abroad should, however, concern the United States. Iran has provided backing for terrorists and fomented unrest in other countries, and the international community should continue to harshly criticize Iran for these acts. Direct attacks on American citizens would constitute a special provocation and call for clear retaliatory measures. As a response to terrorism in general, however, containment is not a solution.

The single most worrisome aspect of Iran's behavior is its apparent quest for a nuclear weapons capability. The United States should respond by pushing the controls and inspection provisions of the existing nuclear nonproliferation regime to their limits and continuing to make counterproliferation efforts a top priority. It should focus more nar-

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rowly on the nuclear threat as opposed to other issues, which might strengthen its case for controls and achieve greater success in stemming the flow of support for the Iranian nuclear weapons program. Finally, it should explore the notion of using carrots in addition to sticks in getting Iran to shift course.

There seems little justification for the treatment the United States currently accords Iran because of its nuclear program. Instead of simply punishing the country, the United States should consider whether a tradeoff might be feasible in return for Iran's acceptance of restrictions on its civilian nuclear program or intrusive inspections by the International Atomic Energy Agency of its nuclear facilities. Since the economic rationale for nuclear power has diminished in recent years, it may be possible to get Iran to limit its civilian nuclear energy program enough to give outsiders reasonable confidence that further military progress is not being made. Such an outcome, possibly arranged with Chinese or Russian support, would leave both the United States and Iran better off and significantly ease tensions in the region.

The policy of unilateral U.S. sanctions against Iran has been ineffectual, and the attempt to coerce others into following America's lead has been a mistake. Extraterritorial bullying has generated needless friction between the United States and its chief allies and threatened the international free trade order that America has promoted for so many decades. To repair the damage and avoid further self-inflicted wounds, the United States should sit down with the Europeans, the Japanese, and its Gulf allies and hash out what each other's interests are, what policies make sense in trying to protect those interests, and how policy disagreements should be handled. Only such high-level consultation can yield multilateral policies toward Iran that stand a good chance of achieving their goals and being sustainable over the long term.

One negative consequence of current policy is the damage inflicted on America's interest in gaining greater access to the energy sources of Central Asia. An independent and economically accessible Central Asia is in the interests of both the United States and Iran. The United States should do nothing to preclude Central Asia's eventual emergence, nor stand in the way of deals that might facilitate it. The United States should therefore refrain from automatically opposing the con-

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struction of gas and oil pipelines across Iran. Here, as with policy toward Iraq, the United States must consult more often with its Turkish ally and fashion a regional policy that makes sense on the ground.

Another area of common interest is the resuscitation of U.S.-Iranian commercial relations. To this end, Washington should be open-minded regarding the resumption of activity by American oil companies in Iran. In 1995, for example, the U.S. government forced the cancellation of a $1 billion deal between Iran and Conoco; this served no one's interests except those of the French firm Total. Future commercial deals should be evaluated on an individual basis and permitted unless they contribute specifically to Iranian behavior the United States opposes.

A NUANCED CONTAINMENT

HOWEVER ONE judges its achievements to date, dual containment cannot provide a sustainable basis for U.S. policy in the Persian Gulf. A more nuanced and differentiated approach to the region is in order, one in tune with America's longer-term interests. This new policy would keep Saddam boxed in, but would supplement such resolve with policy modifications to keep the Gulf War coalition united. The new policy would start with the recognition that the United States' current attempt at unilateral isolation of Iran is costly and ineffective and that its implementation, in the words of one recent study, "lacks the support of U.S. allies and is a leaky sieve." The United States should instead consider the possibilities of creative tradeoffs, such as the relaxation of opposition to the Iranian nuclear program in exchange for rigid and comprehensive inspection and control procedures.

This new course would not involve a dramatic policy reversal and is not likely to yield vast benefits in the immediate future. What it would do is enable the United States to sustain its policy and keep options open for the long term. America may have to consider modifying certain aspects of Iraq's economic containment to keep its military straitjacket securely fastened. On the other hand, flexibility would facilitate diplomatic contacts, presuming an Iranian interest in better relations. Absent such statesmanship, it is all too likely that U.S. policy in the Gulf will continue to be driven by

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domestic political imperatives rather than national interests, with the hard line of recent years making long-term goals increasingly difficult to achieve.

The foundation of America's policy in the Persian Gulf should continue to be a commitment to ensuring the security of its allies and protecting the flow of oil. Few doubt that the United States has the power to sustain this commitment, but some question whether it has the will. In such circumstances, a recommitment by President Clinton to the principles of the Carter Doctrine—a renewal of U.S. vows to the Gulf—might be both welcome and appropriate. It is imperative that all parties understand an important strategic reality: the United States is in the Persian Gulf to stay. The security and independence of the region is a vital U.S. interest. Any accommodation with a post-Saddam regime in Iraq or with a less hostile government in Iran must be based on that fact.

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Adjusting to Sanctions

Jahangir Amuzegar

THE TOLL IN IRAN

THE AMERICAN-DRIVEN sanctions against Iran were meant to transform the "backlash state" into a law-abiding, cooperative, and constructive member of the world community. Washington expected trade and investment restrictions to cripple the productive base of the economy and curtail Iran's ability to support international terrorism or acquire sophisticated military hardware. Economic hardship and fiscal austerity would demoralize the population and turn it against the regime. And domestic popular discontent and external political isolation, Washington hoped, would bring the clerical leadership to its senses.

Inadequate hard data make an objective assessment of the sanctions difficult. Supporters of the policy claim that the cost to Iran has been immense, even greater than expected; critics dismiss the policy as self-defeating and divisive. What is certain, however, is that the economic, psychological, and political impact of the American sanctions has not produced the anticipated results or transformed the regime. Although the comparison may seem invidious, the Iranian economy under sanctions is in certain respects healthier and more stable than many developing economies the United States has assisted. Militarily, Iran appears to be stronger now than in 1989, and is certainly less vulnerable than some U.S. allies in the region. The embargo has isolated Washington rather than Tehran.

Iranian officials concede that the boycotts have caused some economic "difficulties" but do not give details of their nature or magnitude.

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The affected areas, however, are not hard to identify. Finding non-U.S. buyers for Iranian oil and non-Americans to invest in Iran's offshore oil and gas fields has not been cost-free. Banned imports from the United States have been obtained through third parties at extra cost or substituted for from lower-quality sources. Replacing or renovating defense, industrial, and oil equipment based on American components has been more expensive or less satisfactory. Rescheduling of short-term arrears on debt to other countries has taken place under less favorable terms. Some foreign investors have shied away from lucrative projects in Iran under the threat of U.S. retaliation. Normal credits from international financial organizations have been delayed or canceled. Scheduled long-term foreign loans have been postponed. Foreign technological assistance in some sensitive areas has been withheld. Business confidence in Iran has been shaken, and the climate for foreign and domestic investment in the country has cooled.

The embargo has isolated Washington rather than Tehran.

There is no doubt that Iran would be in better shape had the United States not resolved to ostracize and cripple it. American economic and political pressures have hurt the Iranian economy, but they have not inflicted irreparable damage. Iran continues to produce its quota for oil set by the Organization of Petroleum Exporting Countries (OPEC), remains solvent, and maintains normal levels of trade and investment with the rest of the world. In fact, various international organizations and foreign media outlets report that economic indicators are healthier than at any time since the early 1990s. High surpluses have been registered in the current account, hard currency reserves are at record highs, and foreign debt payments are being made on schedule. Iran has had some success in raising medium- and long-term financing in Europe, the rial's official exchange rate has been kept stable, import cutbacks have slowed, and the Qeshm and Kish free trade zones have attracted some private foreign investment. Where sanctions were expected to be particularly damaging, their effect has been surprisingly benign. Daily crude oil production in 1996-97 was *higher* than in 1993-94. So were oil export receipts and net foreign assets. As a percentage of GDP, domestic investment was greater, and the budget deficit, external

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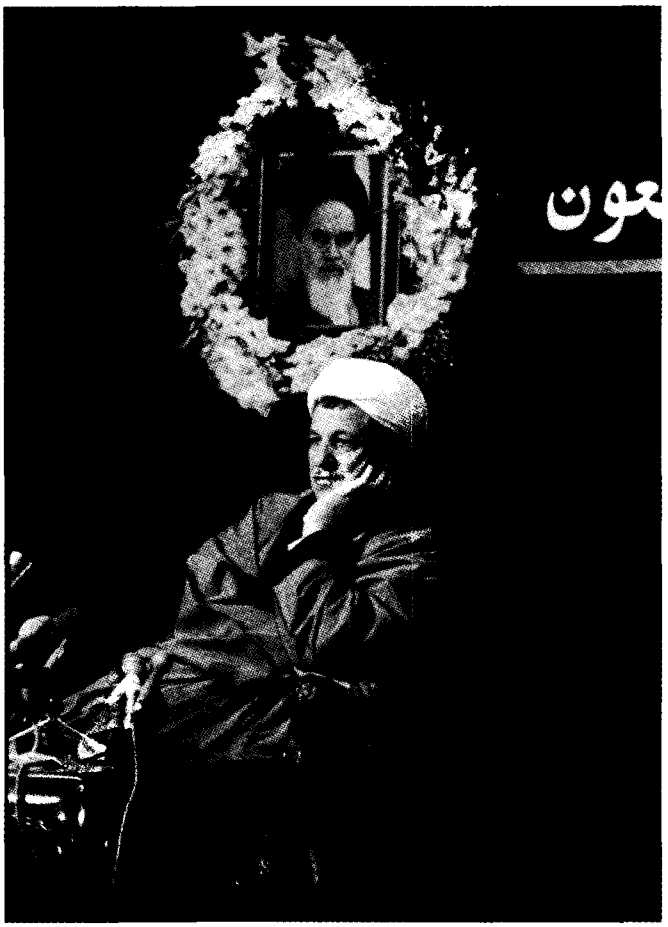

MAGNUM PHOTOS/JEAN GAUMY

Still contemplating American sanctions,
Iranian President Hashemi Rafsanjani

debt, and trade arrears smaller, after the sanctions, thanks in part to higher oil prices and appreciation of the U.S. dollar.

To be sure, the Iranian economy is not trouble-free. Inflation is unacceptably high. Unemployment and underemployment, particularly among the ever-growing numbers of graduates of the mushrooming diploma mills, combined with severe restrictions on normal social outlets for the youth, are economically debilitating and politically explosive. Cost and price distortions are enormous. Labor and capital productivity are low. There will be more turbulence ahead if the global oil market becomes depressed again. Yet American sanctions have not appreciably worsened any of these ills. And whatever their adverse effects, they have not been strong enough to induce a noticeable change in Tehran's behavior.

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The psychological effects of the sanctions have been mixed. There are signs that despite their defiance of the United States, President Hashemi Rafsanjani and his government are wary of the costs of American enmity. They prefer compromise to confrontation and abhor the sanctions even as they claim immunity to them.[1] As a sign of America's displeasure with the Tehran regime, the boycotts have also brought psychological comfort to discontented but passive groups inside Iran as well as the boisterous but ineffective opposition forces abroad, which both long for escalating American pressure that might lead to the eventual overthrow of the revolutionary regime.

On the other hand, U.S. sanctions have created a siege mentality; the regime's remaining supporters have become determined to rely on their own resources and ingenuity. The determination to become self-sufficient in most of their needs heralded a shift to other sources of equipment for exporting oil and stronger ties with Asia, Africa, and Latin America. The kinds of sophisticated goods and services now designed and produced in Iran—increasingly for export abroad—did not exist ten or even five years ago. Supreme Leader Ayatollah Sayed Ali Khamenei has publicly welcomed the U.S. ban as a boon to popular mobilization and self-reliance.

The political impact of U.S. pressure has, if anything, also worked in Tehran's favor. When the United States first imposed sanctions on Iran in the mid-1980s, the Islamic Republic's loyal friends around the world could be counted on one hand. In the mid-1990s, the regime's declared enemies were only two: the United States and Israel. Despite the sanctions—or perhaps because of them—Tehran now has close ties to Russia, China, India, Indonesia, and Brazil, which together account for nearly half the world's population. Relations with most countries in Asia and Africa are friendly, and with the European Community they are businesslike, despite recurrent verbal duels concerning Salman Rushdie and other high-profile human rights cases. There are hundreds of treaties of friendship, cooperation, trade, and cultural exchange with both developing and developed countries on six conti-

[1]Many interpret Iran's decision to award the Sirri oil fields contract to the American oil company Conoco, for which President Clinton denied approval in 1995, as an olive branch to Washington.

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nents.[2] A regime that some American high officials have called an "outlaw state" has been invited to lend its good offices to resolving disputes between Azerbaijan and Armenia, Sudan and Uganda, and other sovereign nations. Tehran has also been active in mediating between ethnic factions in Afghanistan, Tajikistan, Iraq, Bosnia, and elsewhere. Islamic government representatives have won important committee seats in the United Nations and its affiliate organizations in spite of Washington's objections. Last December the International Court of Justice in The Hague voted 14 to 2 to reject Washington's plea for dismissal and to hear Tehran's case against the United States for the deliberate destruction of three Iranian offshore oil platforms in the Persian Gulf in 1987. The Tehran government now feels confident enough about its economy to consider membership in the World Trade Organization.

The Islamic Republic still has festering quarrels with Iraq and is embroiled in political conflicts with Algeria, Bahrain, Egypt, Saudi Arabia, the United Arab Emirates, and the Taliban in Afghanistan. Relations with the U.N. Human Rights Commission are also tense; Maurice Copithorne may join Reynaldo Galindo Pol as the second U.N. rapporteur to be declared persona non grata in Iran because of reports critical of the country's human rights record. Nevertheless, its "isolation index" is now the lowest since the revolution.

WHY THE SETBACKS?

THE REASONS for the evident lack of success of Washington's containment policy are not difficult to fathom. Historically, economic sanctions have worked only when they have been universal and comprehensive, consistent and credible—in short, leakproof. In this case, none of those conditions has held.

Except with respect to transfers of sophisticated military weapons, the American policy toward Iran has been essentially unilateral. Since 1993, and culminating in the Group of Seven Halifax summit in June

[2]The inauguration in May 1996 of a rail link between Sarakhs, Iran, and Ashkhabad, Turkmenistan, which included representatives from 40 countries (including 12 heads of state or government), has been trumpeted by Tehran as a "triumph" over U.S. efforts to isolate Iran. So has the participation of 1,500 companies from 54 countries in the 1996 Tehran International Trade Fair.

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1995 and the Sharm al-Sheikh antiterrorism summit in March 1996, Washington has tried and failed to enlist its major allies in its campaign against Iran. Reactions to American initiatives have been negative or, at best, noncommittal. The allies regard the U.S. stance of ignoring Iran's legitimate role in the region as unrealistic and the sanctions' uncompromising message of "redeem yourself or be damned" a non-starter. Defying the U.S. secondary boycott legislation under the Iran and Libya Sanctions Act of 1996, the European Union has lodged a formal complaint with the World Trade Organization and even warned Washington of retaliatory measures if it tries to act under the law. American allies like Turkey, Kuwait, and the United Arab Emirates have now expanded commercial links with Iran. Oil and natural gas deals with the countries of the Commonwealth of Independent States have proceeded as planned. Japan, Russia, China, Canada, and others have largely ignored American requests for trade sanctions. Only Israel and a wavering Uzbekistan have answered Washington's call.

American allies may have their own ulterior motives for opposing the containment strategy—desires to safeguard their historical ties with Iran, expand their commercial interests in a lucrative market, or simply assert their political independence from Washington. But their reservations reflect a second flaw of U.S. sanctions: inconsistency, which saps their credibility. The sanctions have sometimes been selective and arbitrary in their targets, and the United States has frequently breached the policy when it suited its interests. Syria has been on the same list of "terrorist states" as Iran, yet high U.S. officials have often courted Damascus. Sudan and Iran were both barred by the Antiterrorist Act of April 1996 from engaging in any financial transactions with U.S. companies; yet Occidental Petroleum was granted a special exemption to enter into a major oil deal with the Khartoum government soon after the bill was signed. On nuclear weapons, North Korea has pursued a development program similar to Iran's, yet Iran has been denied the same right accorded to Pyongyang, under the Nuclear Nonproliferation Treaty, to develop peaceful uses of nuclear energy. On human rights, China and some U.S. friends in the Middle East—Egypt, Pakistan, Saudi Arabia, and Turkey—have been cited by the State Department as some of the world's worst violators, yet they have enjoyed thriving trade and normal diplomatic relations

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with the United States.[3] Finally, Washington bitterly declared secondary boycotts to be illegal when the Arab League applied them to Israel, but it now urges its partners to honor them against Iran.

The containment policy has also lacked credibility because of Washington's repeated departures from stated principles. The secret arms deal with Tehran during President Reagan's administration, an aborted attempt at diplomatic rapprochement under President Bush during the release of American hostages in Lebanon in 1991, and the decision under President Clinton to allow Iran to send clandestine arms shipments to Bosnia are flagrant examples. Furthermore, until 1995, the U.S. embargo applied only to a handful of dual-use items and conspicuously excluded oil. Thus, while Washington was exhorting its allies to stop trading with Iran, the United States had become Iran's fourth-largest trading partner.

The final reason U.S. sanctions have been ineffective is that they have not been airtight. Companies and contractors from other Western countries have served as proxies for U.S. subsidiaries abroad. Countries that were not even among the top 25 nations trading with Iran prior to the sanctions now rank fifth and sixth. Shops in Iran are stocked with American goods of every description—many smuggled in, but others imported legally through neighboring countries. Some Iranian exports also have found their way into the American market through third parties and legal loopholes.

WILL TEHRAN CRY UNCLE?

SANCTIONS MATTER not because they can, in their present configuration, bring the Islamic regime to its knees, but because they may handicap it in the race to rapid economic growth. The current U.S. policy is likely to remain largely ineffective, if not counterproductive, unless it is backed by a U.N. Security Council resolution specifically banning exports of oil from Iran and gaining the compliance of all major petroleum-importing countries. Without oil revenues, Iran's economy would

[3]In extending most-favored-nation privileges to Beijing in 1996, the Clinton administration argued that it had a better chance of influencing Chinese behavior through dialogue and trade than through economic pressure. That is precisely what the European Union has suggested with Iran, but Washington has steadfastly rejected the reasoning in Iran's case.

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quickly be paralyzed. However, judging from the European Union's reaction to the U.S. secondary boycott law—the one issue, incidentally, on which the EU membership has unanimously agreed—and given the fierce opposition that Russia, France, and China would likely raise in the Security Council, no such resolution is in sight at the United Nations. Furthermore, an embargo against Iranian oil would likely push crude prices through the roof for a while, another reason all oil-importing nations would resist it. Washington, therefore, may have to go it alone unless its allies and the world community are presented with irrefutable evidence of Tehran's direct involvement in a dastardly terrorist act, such as the June 1996 truck bombing of a housing complex in Dhahran that took the lives of 19 American military personnel. For its part, Iran can live with U.S. sanctions for a long time with much less difficulty than Cuba or Vietnam, although it cannot prosper without Washington's blessing.

In dealing with the Tehran regime Washington has four distinct, and familiar, policy options. At one end of the spectrum, it can discontinue sanctions and follow the easy route of "silence tinged with indifference or disdain," as an old U.S. intelligence hand has suggested. But while attractive, such a policy may be neither practical nor prudent; Iran's multifaceted activities and machinations in the region cannot be ignored, and the regime may not go out without a bang. At the other extreme, Washington may choose a military confrontation with Tehran, as anti-Iran hawks advocate, to roll back the regime. But this option is fraught with incalculable risks, would be internationally insupportable if launched without clear provocation, and would probably be domestically unpopular, particularly if it involved U.S. troop deployments and American casualties.

The third choice is to tighten comprehensive unilateral sanctions. Persistent advocates of the U.S. boycott still argue that Iran is currently weak and vulnerable economically and financially, that it needs a bailout from the West in the form of credits, technology, and management, and that sanctions will work most effectively if other major industrial powers follow—but even unilateral American sanctions can make a big difference. Patience and perseverance are all that is needed.

Assuming this assessment is correct, the get-tough policy is still not risk-free. Enhanced U.S. sanctions may hasten the day of reckoning, but they run the risk of arousing formidable nationalist resistance in Iran.

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Serious imbalances and deficiencies plaguing the Iranian economy pose a latent threat to the regime's survival because they give rise to sociopolitical tensions that weaken the rulers' grip on power. With or without the U.S. embargo, the regime is likely to implode eventually unless there is a dramatic change in its domestic Islamic rule and its anti-Western worldview. Therein lies the reason for the regime's survival somewhat beyond its time: not in spite of sanctions, but because of them.

Iran is economically healthier than many countries the United States has assisted.

Already sensing a general anxiety across the land about further U.S. economic pressure, the clerical leadership, in a series of smart public relations maneuvers, has blamed the country's economic shortcomings and setbacks on undisguised American hostility toward Islamic rule. Washington's frequent demonization of the government in Tehran has been seized on to demonstrate Iran's unique importance as the defender of the faith and supporter of the oppressed against an arrogant superpower. Taking advantage of the Shiites' historical glorification of martyrdom, the leadership portrays Iran as the victim of a cruel and hostile hegemon. The sanctions themselves are shrugged off as insignificant, but they are highlighted as proof of American hostility.

The regime's appeal to Iranian nationalism, particularly the clever hints that enhanced U.S. sanctions and continued hostility threaten Iran's sovereignty and territorial integrity, has been an effective ploy. Not a single group in the vast array of current opposition to the Islamic government, no matter how hostile to theocratic rule—including die-hard monarchists—wants to see sanctions topple the regime if that means Iran's Balkanization. On no other issue have the disparate groups been so united for so long.

The remaining option is to seek a prudent modus vivendi with the rogue state. The regime is a religious oligarchy related by blood and financial ties to the bazaar merchant class. Bazaaris' passion is not policy, but profit. For their partners in the leadership, the overarching goal is not ideological rigor but power. Ayatollah Khomeini in 1988 ingloriously accepted the cease-fire in the eight-year war with Iraq that he had vowed to pursue to total victory. His sole motive was to preserve Islamic rule and keep the clergy in power. Any proposal that could

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strengthen the economy and give the regime a better chance of survival is likely to get a positive response. The reason that this option, despite its many advocates within the foreign policy establishments on both sides of the Atlantic, has not been actively pursued is because its supporters are looked upon as accommodationsists, appeasers, or opportunists. In neither country is the leadership anxious to take the initiative for fear of being labeled sellouts by the opposition.

SHARED INTERESTS

THE OUTSTANDING differences on many matters of legitimate national concern—including each country's self-proclaimed manifest destiny (Iran to propagate Islam, America to promote democracy)—may rule out relations of the sort that prevailed between Iran and the United States before 1979. But they cannot mask the significant interests that the two *countries*—as distinct from their *governments*—still share. In spite of mutual assertions to the contrary, regional instability, chaos, and tension are in neither country's political or economic interest. Both countries have a vital interest in the free flow of oil through the Persian Gulf and the avoidance of maritime incidents. Both need each other geopolitically, as the twin pillars of a regional counterbalance to Russia's potentially expansionist aspirations within the Commonwealth of Independent States and toward the warm waters of the Persian Gulf. And, finally, both countries can fruitfully cooperate in developing and transporting the energy resources of the Central Asian states and the Caucasus, reducing those nations' dependence on Russia.

For the moment, these mutual interests may not seem impressive to Washington. After the breakup of the Soviet Union, the defeat of Saddam Hussein and Iraq, and the increase in the supply of non-OPEC oil, Iran may have lost its geostrategic, military, and economic cachet for the United States. Washington may perceive no need to make concessions to establish a dialogue with Tehran, hoping instead to force the regime's hand through comprehensive new sanctions. But the current phase may be transitory. Before long the Russian Federation may again be a superpower, and a post-Saddam Iraq may be just as menacing to its neighbors. Iran, regardless of its governing regime, will remain the Middle East's most populous and second-largest country, surrounded

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by 15 neighbors with which it shares land borders or bodies of water, a major global energy source with 10 percent of the world's oil and 15 percent of its natural gas, a pivotal player both in the region and within OPEC, and a gateway to Central Asia. In a region where national interests are increasingly defined in terms of shifting national alliances and coalitions, a strong, integral Iran may be sorely needed as a constructive force if there is to be stability and progress. The ultimate effects of the U.S. containment policy must be regarded in that light.

Assuming that Iran's territorial integrity and political independence are in the United States' own long-term national interests, a change in the containment policy may be a reasonable insurance premium. Washington may wish to reactivate the long-standing offer of a dialogue between duly authorized representatives, in a confidential manner, without preconditions. Should this option be chosen, a strategic reassessment would be in order. To be effective and credible, the dialogue must avoid going into a long wish list of expected changes in bilateral behavior and instead single out one or two issues of crucial importance to both parties, such as nuclear proliferation, the Arab-Israeli peace process, and the U.S. military presence in the Persian Gulf. The United States should give the Islamic Republic some reasonable incentives for cooperation, such as the release of frozen assets or new loans from the World Bank, and clear disincentives for intransigence, including intensified political pressure or even more drastic action. Under this policy of *reciprocal response*, each offending behavior may be dealt with through quid pro quo, without bestowing a seal of approval on or resorting to a blanket condemnation of either party's overall position.

Should Washington decide that its containment policy is the right course and Tehran continue its anti-American belligerence, the current stalemate will continue. Without a strong consensus among U.S. allies and a tacit understanding with Russia and China not to help Iran, and without convincing the regime's opponents that Iran's territorial integrity will not be jeopardized by U.S. sanctions—that the end of the Islamic Republic will not be the end of Iran—the boycott might still not reach its goal by the year 2010 or even 2020, if the Chinese, Vietnamese, and Cuban experiences serve as precedents.

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Persian Gulf Myths

Graham E. Fuller and Ian O. Lesser

A POLICY FOR LIVING WITH CHANGE

POLICY TOWARD the Persian Gulf, one of the more successful facets of U.S. foreign policy over the last decade, is headed for rougher times in the next. "Dual containment," the strategic heart of U.S. policies toward Iran and Iraq, is unraveling. Alliance support in Western Europe is slipping, internal differences in the Gulf Cooperation Council are growing, the potential for instability in Saudi Arabia has become dramatically evident, and a faltering Middle East peace process puts new pressure on Gulf regimes. America's Gulf policy contains time-honored myths, holdovers from the Cold War, and many formulations that have become cloudy or rigid with use. Those basic principles require reexamination. Moreover, the continuing risk of terrorism against the large U.S. military presence in the region highlights the looming challenges to regional strategy.

Maintaining access to oil at moderate prices

Gulf policy is founded on the principle that access to the region's oil is critical to Western—indeed, global—prosperity. The Gulf's many small oil-producing states are largely incapable of defending themselves against larger players in the region. Since the collapse of the Soviet empire, however, serious military threats to oil access in the Gulf have diminished drastically. Even the Iran-Iraq War of 1980-88 with its assaults on oil platforms, pipelines, terminals, and tankers did not seriously affect

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the oil market or Western economies. No military power today has the capability to deny the West access to oil, although perceptions of Western vulnerability remain widespread. No anti-American dictator in the Middle East—not Saddam Hussein, the Ayatollah Khomeini, or Muammar al-Qaddafi—has attempted to hinder oil sales to the West. What actual task, then, does "maintaining" the flow of oil entail?

Even if a cutoff of oil is only a remote possibility, the West has been concerned that no cartel or group of oil-producing states be able to exert monopolistic control over oil prices. American support for Saudi Arabia, whose oil policies are dedicated to perpetuating moderate prices over the long term, has been the centerpiece of this strategy. With the Saudis' ability to decisively influence prices by varying their enormous production, other producers have found it difficult to significantly affect pricing. While the United States is opposed to any monopoly in oil, in reality the Saudis already possess monopoly-like control over production and pricing. Even if major oil-producing states tried to raise price levels by cutting production, how long would it be before other producers rushed in to profit from the market vacuum? Although a decrease in production is a stated goal of OPEC, it is not consistent with individual OPEC members' interests. Seizure of one Gulf state by another à la Saddam is, of course, unacceptable, but that has less to do with energy security than with preventing a grab for power by hostile states in a strategic region. "Oil" may have been part of the early rationale for U.S. intervention after Iraq invaded Kuwait in 1990, but the real stakes were larger: U.S. leadership and global order. The slogan of Gulf War critics, "No blood for oil," never really applied.

Above all, the notion of U.S. engagement in the region to assure "reasonable oil prices" should take into account the cost of deployments in the Gulf. The Pentagon pays out between $30 billion and $60 billion a year for defense of the Gulf (depending on how you cost it), a formidable sum for protecting the import into the United States of some $30 billion worth of oil. Thus Americans pay what amounts to a substantial hidden gasoline tax that Europeans and Japanese, benefiting from American willingness to "carry the burden," largely escape. And other Western countries are unlikely to take up that burden on a permanent basis since few European policymakers view a military presence in the Gulf as necessary to ensure that the oil keeps flowing.

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Preventing the emergence of regional hegemons

Some U.S. strategists suggest America has a broader interest in preventing the rise of any regional hegemonic power anywhere, especially one capable of threatening global stability through the use of force. Implicit in this formulation is retention of the U.S. role as primary security arbiter in the Gulf and maintenance of the U.S. presence there as a symbol of a global American security commitment. In some respects it would be more accurate to describe this objective as preserving U.S. hegemony in the Gulf. As American involvement in the Gulf has grown, particularly since the war for Kuwait, a U.S. forward presence in manpower, weapons, and supplies for future Gulf defense has burgeoned. All this encourages perception of the United States as the ultimate security guarantor for regimes in the region, placing American prestige and credibility on the line across the board. Under these circumstances almost any assertion of greater regional influence by any actor appears a direct challenge to Washington requiring some kind of response. Being out on a limb in the Gulf leaves little room for fine calculations of national interest.

In the eyes of some, the U.S. military presence in the Gulf is part of a broader strategy of access and pre-positioning for potential U.S. intervention worldwide consistent with their vision of America's role as global security arbiter. This ambitious vision, however, faces substantial challenges in the post–Cold War era of diminishing budgets, narrowing definitions of U.S. strategic interests, and the steady emergence of new regional powers.

Preserving regional stability

Often invoked, this goal is particularly imprecise, probably unattainable, and at odds with future trends. Major political and social change in the Gulf in the not too distant future is a certainty and will, by definition, be destabilizing. The United States cannot aim at freezing the status quo. In fact, it has an extremely limited ability to shape or respond to internal developments affecting Gulf regimes—especially the most likely challenge, dramatized by the 1995 and 1996 bombings of American facilities in Saudi Arabia. The only realistic U.S. security objective in the Gulf is prevention of cross-border aggression. Beyond that, there is little the United States can do to

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"preserve stability," when the threats are largely internal and the links between stability and the oil flow so weak.

Maintaining Israel's security

Israeli security is a key U.S. goal in the Middle East, but direct links with the Gulf are tenuous. With the major exception of Iran's role in Lebanon, Israel's problem with terrorism is basically local in origin. The chief threat to Israel from the Gulf lies in the use of weapons of mass destruction, especially missiles, against it. Israel's exposure to the missile threat is no greater than that of U.S. regional forces or the region's other states or, very shortly, given missile systems' growing reach, Russia, India, or Europe. Broader U.S. antiproliferation policies aim at meeting this contingency. At this point, Israel's security, however important, does not represent an extra dimension of U.S. Gulf policy.

Maintaining preferential access to Gulf markets

U.S. security assistance and presence in the Gulf have led to tacit U.S. preferential access—although certainly no monopoly—in sales to the Gulf states, especially of arms (although Israeli and congressional opposition have limited arms transfers). While all states want to encourage the sale of domestic products, the unacknowledged defense cost of maintaining access to this politically driven market raises questions about subsidizing the export of American products. In Iran and Iraq, moreover, the United States has pursued higher strategic objectives regardless of the costs for trade and investment. Access to Gulf markets may well be a leading concern for Europe and Japan, but it cannot drive American strategy.

Encouraging political and economic reform and human rights

While this goal has long ranked among the leading U.S. global objectives in policy rhetoric, it is often assigned a lower priority when it complicates the pursuit of other goals, including "stability." If the United States wants the Gulf to move toward political maturity and responsible government, liberalization is a prerequisite, but the process will also produce turmoil and change. Washington's dilemma—how to square liberalization with the search for stability and a preference for

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the status quo—grows more urgent with each passing year. Long-suppressed change will only be more convulsive when it occurs.

THE ONLY CONSTANT IS CHANGE

THE GREATEST challenges to Gulf stability will come from within, as the authoritarian political order in the region is strained by shrinking state budgets, rising birthrates, the cost of social services, and unemployment. Ideas of democracy, participation, and social equality are spreading among elites who either have been schooled in the West or are well versed in Western political principles, while a growing, educated middle class seeks a greater voice in governance. Citizens' demands for reductions in the privileges of ruling families meet deep resistance from rulers, but all Gulf regimes are feeling strong pressure to reform and liberalize. Nearly all face some Islamist challenge from within, particularly where most other opposition parties are suppressed. Bahrain confronts an economically disenfranchised, oppressed, and increasingly insurgent Shiite majority. The Saudi royal family, like the shah of Iran 20 years ago, seems not to grasp the nature of the internal opposition and by now might not even survive the slippery slope of genuine political reform.

U.S. military clout will be of little use against turmoil within the Gulf states. Furthermore, it is, to many Muslims, a provocative presence when stationed on what for them is holy soil; Saudi Islamist dissidents regard its removal as a top priority. The United States must continue its support for liberalization in the region to help avert violent political change and anti-American reaction, already latent. The rub is that while regimes will suffer serious consequences if they fail to liberalize, liberalization can also open the door to social and ethnic fragmentation and other disorders of the democratization process that follow from long-suppressed opposition suddenly released.

In dealing with dilemmas of internal change, the United States will need to distinguish between support to states and support to regimes. Washington cannot afford to become deeply and publicly identified with governments that are losing popular support and sliding toward a legitimacy crisis. Easy in theory, in practice making a distinction between regime and state is difficult in the Gulf, where the two are often conflated, and diplomacy naturally involves dealing

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with existing regimes. U.S.-Saudi cooperation against internal and externally based Saudi dissidents, in the name of a struggle against terrorism, is particularly risky. While terrorism is a genuine threat, it is in the interest of many regimes in the Middle East to brand virtually all opponents as terrorists. These dilemmas suggest that the United States should quietly but firmly apply declared political values of human rights, due process, and wider participation that transcend ties with specific regimes or individuals.

DUAL CONTAINMENT'S FATAL FLAW

THE CRITICAL weakness of the United States' policy toward Iraq and Iran is its parallel treatment of two disparate regimes that present sharply different problems calling for different solutions. Dual containment is a geopolitical dead end—at best a holding pattern until more auspicious times. Its legal rigidities, necessary for enforcing complex sanctions against the two targeted nations, perpetuate the confrontation. Most of Washington's allies believe the United States has demonized Iran and refuse to do the same.

Washington's identification of Iran as one of the chief threats to global security has not, therefore, prevented allies from developing close economic ties with the Islamic Republic. While Iran steadfastly aims at weakening neighbors by ideological means, its interests, unlike Iraq's, are tied to maintenance of the territorial status quo in the Gulf: as the "natural hegemon" of the Gulf, it loses whenever any other country in the region gains power. Furthermore, unlike Iraq and Saudi Arabia, which can choose from a variety of pipelines, Iran depends on a Gulf open to shipping as the only large-scale outlet for its oil exports.

In its legal isolation of Iran, the United States has ruled out all "carrots" or accommodation; furthermore, any alteration now would require a change of mindset in Congress, where the issue has become politicized and entrenched. Unlike the confrontation with Iraq, which hinges on one man, Saddam Hussein, the confrontation with Iran could drag on for decades. The United States has excluded any option that could involve Iranian strategic participation, even where it might coincide with American goals: on policy toward Iraq and the weakening Saddam, and above all on Central Asian, Caspian, and

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Caucasian pipelines. Flat rejection of pipelines through Iranian territory—which, for practical reasons, most of the region's states and many oil companies would prefer—opens the way to Russian monopoly. New east-west routes for oil, gas, railroads, and trucking along the old Silk Road are on hold until Iran, with its central position, can be included. All these contradictions will grow increasingly untenable. U.S. policy might even pull off the extraordinary trick of driving archrivals Iran and Iraq into a tactical alliance, as both now fear the United States more than each other.

Saddam Hussein's continued rule in Iraq is extremely harmful for the region as well as for his own people. His departure is almost a prerequisite for the positive evolution of the region, but it may not happen, partly because Washington, strangely, has avoided calling for it directly. Sooner or later, U.S. policy will have to acknowledge that Iran and Iraq are the two biggest players in regional security issues and take steps to anticipate their eventual integration into a security architecture.

WORKING WITHOUT A FRAMEWORK

GULF SECURITY today rests on a strong unilateral U.S. commitment to the Gulf states. As yet, there is no regional security organization that can accommodate, even at the level of a discussion forum, the interests of all Gulf states. The Gulf Cooperation Council (GCC) does not include Iran or Iraq, while Saudi Arabia, the richest nation in the Gulf, is a net security consumer rather than a provider. Gulf leaders have made a few attempts to create partial collective security structures. The GCC, originally conceived as an economic cooperation organization, reluctantly developed a rudimentary joint military capability specifically to deter attack from Iran or Iraq, which it demonstrably failed to do. Even with Western assistance, the GCC's military arm is likely to remain an aggregation of national military institutions disinclined to close cooperation.

Then, too, GCC relations are fraying. Many Gulf states are at odds with each other: Qatar vs. Bahrain, Qatar vs. Saudi Arabia, Saudi Arabia vs. Yemen, Oman vs. Saudi Arabia, etc. Smaller states distrust Saudi dominance of the council and worry about a longer-term Saudi threat to their sovereignty. Members are also likely to differ on such is-

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sues as the pace of regional reform, tactical policy toward Iran and Iraq, and degree of commitment to the "Arab cause." Nor is there reason to assume solidarity will grow.

The very notion of the Gulf as a geopolitical region is affected by post–Cold War developments in the Caucasus and Central Asia, proposals for pipelines through the region, and the growing roles of Turkey, the Kurds, and even India and Pakistan (the last two of which have large communities in the Gulf states constituting a major element of the work force). All this will call for expanded conceptions of security and additional flexibility on Washington's part.

More and more, other states' energy needs and concerns will come into play in the production and pricing of Gulf oil. Europe, Japan, Russia, and even China will increasingly bump up against U.S. strategic interests. A tight oil market could compel actors to forge special security bonds with individual Gulf states, including Iran and Iraq, to gain privileged or guaranteed access to inexpensive oil. One could even imagine, however unlikely, a return to the traditional competition for control of energy resources through exclusive arrangements and destabilizing arms-for-oil deals.

THE BURDEN AND THE RESPONSIBILITY

CRAFTING A new Gulf policy requires laying aside myths and conducting a review of future requirements from the ground up. The essential American strategic goals in the Gulf are maintaining the willingness of major Gulf oil powers to sell oil at market prices, lessening the strategic cost of oil to the United States through increased burden-sharing with allies, and, more generally, seeing the Middle East gradually integrated into the international order, with the consent of its people.

The Gulf is unique in its configuration of many small and vulnerable oil states, those states' strategic importance, and the global stake in regional stability. For these reasons, the international community, working through the United Nations or by other agreement, should consider according the region special international status. Violation of a country's borders, unacceptable anywhere, should be viewed as particularly reprehensible here. Such international status would help deter adventurism by Iraq, Iran, or even Saudi Arabia against their small neighbors. And vi-

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olations would be more certain to evoke a sharp international response—although the source of that response requires further consideration.

Since intervention by outside powers has been a major grievance of much of the Arab world and Iran over past decades, the region's countries have a clear incentive to adhere to security principles that would reduce the likelihood of Western intervention. Some kind of regional forum must be established to encourage frank discussion of the security interests and concerns of all parties, along with transparency of action and military behavior. Confidence-building measures along the lines of those promoted by the Organization for Security and Cooperation in Europe are appropriate for the Gulf, and have already drawn the interest of several Gulf states. This is a long-range vision, but the foundations must be laid now.

Meeting the coming challenges in the Gulf will require greatly increased consultation and burden-sharing—indeed, partnership—with America's European allies and Japan. There is tension between Washington's desire to spread the costs and its determination to maintain control of policy formulation. We propose that Washington reach agreement with allies first on what the realistic and essential security needs of the Gulf are and then on how these needs are to be met and paid for. European security requirements will probably be more modest than American ones, but Europe consumes much more Gulf oil. A more modest consensus on requirements and agreement on sharing costs will not only be far cheaper for the United States but will provide a predictable basis for joint action when international norms are violated in the region. The effect of a coordinated transatlantic or G-7 approach on the behavior of Iran or Iraq could be formidable.

Indeed, if Washington and Europe are ever to reach consensus on global strategic partnership and sharing of responsibility, the Gulf is arguably the best place to start because the stakes are recognizably high. Furthermore, Congress may not be willing to indefinitely fund U.S. protection of "European oil," inequitably shared. Consultations should focus on ground rules for Gulf state behavior, handling of internal challenges to regimes and the need for reform, agreement on what constitutes a genuine threat to oil or the regional order, and the types of responses required to address these issues.

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Management of the heavy flow of arms to the Gulf is another area urgently requiring cooperation, complicated by the fact that the United States and other Western nations benefit financially from such sales. Ending the transfer of weapons of mass destruction is particularly pressing; the United States must accord that issue top priority, even at the expense of other important items on the agenda.

If America and its partners can reach even rough consensus on a few general rules limiting arms transfers, not only will the allies be more likely to play by them, but the group will be better able to pressure supplier states that currently do not conform at all: Russia, China, and North Korea, among others. Europe's looming vulnerability may spur its cooperation in preventing the spread of weapons of mass destruction and the means for their delivery. With the growing reach of ballistic missile systems available to Gulf states, Europe, even more than the United States, will need to worry about its exposure to the consequences of regional conflict and political blackmail.

If the West or the United States is to deter aggression by larger Gulf states, the temptation will be to continue efforts at forward deployment to facilitate future defense efforts. Yet forward deployment brings many dilemmas of its own. It strains perceptions of legitimacy and sovereignty within the Gulf states and ties the United States more tightly to the preservation of existing regimes. While forward presence may permit a swifter response with massive force, only the nearly unprecedented aggressiveness of a Saddam Hussein would call for such an intervention. The economic and political costs of maintaining a large-scale regional presence require careful assessment, not least because of the persistent risk of terrorism against U.S. forces.

Over the longer run the Gulf must begin to assume some responsibility for its own security. The sooner the status of Iran and Iraq is normalized, the more likely a balance will emerge that will help keep aggressive instincts at bay and make a broader security dialogue possible. The regional security forum whose establishment we advocate must begin by engaging all states of the region in a dialogue in which legitimate security needs are expressed and acknowledged. No progress toward regional self-defense is thinkable until then.

The current American near-monopoly of both the security system and bilateral security arrangements virtually suspends "normal

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geopolitics" in the Gulf; worse, it encourages local actors to avoid dealing clearly with one another on security matters, especially those that touch the stability of ruling families. Bilateral security arrangements cannot be eliminated overnight, nor should they be. But movement toward an effective regional architecture is essential if risks are to be reduced.

IN TUNE WITH THE FUTURE

U.S. STRATEGY must reflect the inevitability of change in the Gulf over the coming decades. American influence on the internal evolution of key regions may be limited. But the United States can judge opposition groups and successor regimes—especially Islamists—by their behavior, and it can avoid policies that make hostility toward Washington a self-fulfilling prophecy. The United States should not hesitate to make the ouster of Saddam an explicit feature of its Gulf policy, while still anticipating the eventual reintegration of both Iran and Iraq into the regional security order.

Above all, U.S. strategy must treat cooperation with Western allies as an opportunity, not a constraint. A new multilateral approach, while complicated to manage, is more in tune with the realities of the next century: the rising financial and diplomatic costs of unilateralism, uncertain defense budgets, an apparent American unwillingness to go anywhere or fight any battle, and the likely multipolar character of the world in the making. Multilateralism is a source of leverage for U.S. leadership in the Gulf. More important, it expands the membership and the responsibility of the club of like-minded states with shared values—the only sound basis for long-term security worldwide.

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Misreading Hong Kong

Frank Ching

AMERICAN DOOMSAYERS

On December 11, 1996, Tung Chee-hwa, a shipping magnate whose family had fled communist rule in China almost five decades earlier, was chosen chief executive–designate of post-1997 Hong Kong. He was selected from a field of three candidates that included Ti-liang Yang, Hong Kong's chief justice until he resigned to run for chief executive, and Peter Woo, one of the most important businesspeople in Hong Kong.

The event was epochal. In the past, Hong Kong governors had been appointed in London without any consultation with Hong Kong's populace. This time, all the candidates were from Hong Kong, and Tung was chosen after weeks of campaigning. The candidates were questioned on issues ranging from education, housing, and transportation to such sensitive political matters as how to deal with Chinese dissidents and whether rallies to commemorate the military crackdown in Tiananmen Square on June 4, 1989, should continue.

Tung was chosen by the 400-member Selection Committee, made up of businesspeople as well as prominent doctors, lawyers, educators, and union leaders, many of whom have entries in Hong Kong's *Who's Who*. They constituted a large part of Hong Kong's elite.

While the selection of Tung was considered welcome news in Hong Kong, it was widely condemned in the American press as a "rigged election." Certainly Tung was the clear favorite from the beginning, but no one can say that Yang and Woo entered the race simply to make it appear that there was a real race. Both thought they

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had a chance and made substantial sacrifices in order to run. Yang had to take early retirement as chief justice and give up his British passport as well as his knighthood. Woo gave up the chairmanship of two major companies, Wharf Holdings and Wheelock Marden & Co.

The proceedings could certainly be criticized as elitist and nondemocratic, but, even so, they were much more democratic than the way in which Hong Kong's last British governor, Christopher Patten, had been chosen. Patten was chosen by just one man, Prime Minister John Major.

Ten days later, the Selection Committee chose the 60 members of the legislature, known as the Provisional Legislative Council, who will assume office July 1. A majority, 33 of the 60, are members of the current Legislative Council, elected in 1995.

These actions of the Selection Committee were condemned by the American media. In an editorial December 28 headlined "Farewell to Hong Kong's Freedom," *The New York Times* contended that the leaders were chosen "without the slightest accommodation to democracy." That all previous governors had been chosen with even less "accommodation to democracy" was not mentioned. Nine days before the Times editorial, *The Washington Post* condemned the chief executive–designate as "Beijing's man," "hand-picked" by a "Beijing-controlled committee." It went on to say that "Tung's elevation is not encouraging," even though the chief executive–designate's popularity rating was higher than Governor Patten's. Meanwhile, reports in the American media about China's intention to pass "harsh new laws on subversion and treason" and "repeal laws protecting Hong Kong's civil liberties" triggered new recriminations. *The New York Times* affirmed its gloomy predictions in another editorial on January 30 titled "The Berlin Wall and China." The paper declared, "Beijing has left little doubt that it will strip Hong Kong of its liberties, even if that diminishes the economic benefits of the transfer to China." While *The New York Times* and *The Washington Post* are among the most influential American newspapers, they were by no means the only ones to spread the message of gloom and doom about Hong Kong.

The American media, as well as some members of Congress, have already concluded that Hong Kong's transition from a British crown colony to a Chinese special administrative region will go badly and,

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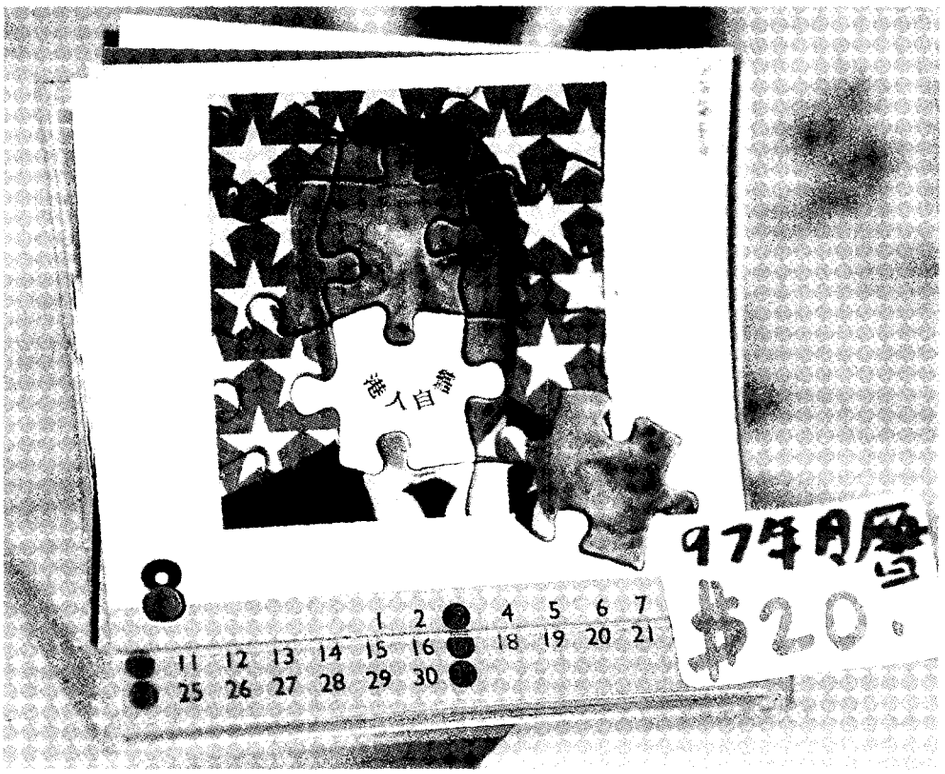

BLACK STAR

How will Tung Chee-hwa complete the puzzle? Hong Kong, 1997

indeed, already has. Influential media people have made up their minds that there is little hope for Hong Kong after June 30, when the Union Jack will be lowered for the last time and the British governor and his closest advisers will depart for the United Kingdom.

Anecdotal evidence suggests that the general perception in the United States is that Hong Kong is in grave danger, if not already beyond salvation. I myself received Christmas cards from friends asking, "Are you going to stay in Hong Kong?" and assuring me that "our prayers are with you." In January, a district court judge in Boston, Joseph Tauro, decided not to permit the extradition of Jerry Lui, a man wanted by Hong Kong's Independent Commission Against Corruption on bribery and smuggling charges. The judge said that since Lui couldn't be tried before June 30, he would be tried and punished by China. Clearly, the judge did not think that rule of law would remain in Hong Kong. China's Foreign Ministry immediately issued a statement reaffirming the autonomy of Hong Kong's judicial system after the handover.

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NO END IN SIGHT

Is it true that Hong Kong will lose its freedom on July 1? Will its six million people try to flee its shores for a safe haven in the West? Will the economy falter as civil liberties are curtailed? The short answer, which of course needs to be qualified, is no. All economic indicators suggest that Hong Kong's transition is going relatively well. The stock market is at an all-time high. The real estate market is booming, so much so that the territory is in danger of pricing itself out of the market. The exodus from Hong Kong, which was serious in the aftermath of the Tiananmen Square massacre, has slowed to the levels of a decade ago. In fact, there are now more people coming to Hong Kong than leaving. While about 10 percent of the population has left since the 1984 Joint Declaration, under which Britain promised to "restore Hong Kong to the People's Republic of China" on July 1, 1997, and China pledged to create a Hong Kong Special Administrative Region, about a fifth of those who left have returned. Moreover, recent public opinion surveys find that confidence in the future is close to 80 percent. And the atmosphere in Hong Kong is generally relaxed and not politically charged, as it was in the mid-1990s when Sino-British relations were tense. The clamor for British passports has been replaced by a small but significant number of people publicly giving them up so as to be eligible to serve as top officials in the future Special Administrative Region.

The American consul general in Hong Kong, Richard Boucher, delivered a balanced speech at the National Press Club in Washington on February 27. Boucher declared the situation in Hong Kong "basically positive with some important issues unresolved. . . . Many things are going well at this crucial and confusing time, but we have serious reservations about some key elements."

The official American government position on Hong Kong was presented recently by Jeffrey Bader, deputy assistant secretary of state, at hearings on Hong Kong held by the Asia and Pacific subcommittee of the House International Relations Committee. Bader noted that the transfer of Hong Kong's sovereignty on July 1 from Britain to China "is without precedent or historic parallel" and cited some basic facts about the territory that should assuage concerns. "Hong

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Kong has become the world's eighth-largest trading economy and a leading international financial center," he said. "Its one-runway airport is among the world's top five in both passenger and cargo volume, and its container port is the world's busiest. It has Asia's second-largest stock market. Over 700 foreign companies maintain regional headquarters in Hong Kong, including 85 of the world's top 100 banks." Moreover, despite the uncertainty the 1997 factor poses, "Over the last two decades, the Hong Kong economy has more than quadrupled, and its per capita GDP has tripled to about $26,000, higher than that of the United Kingdom, Canada, or Australia."

On Hong Kong, the U.S. media does not give China the benefit of the doubt.

While praising Hong Kong's economic progress, Bader lamented China's lack of understanding "of the need to provide Hong Kong with the same high degree of autonomy in the political area." "A good relationship" between the United States and Hong Kong, he said, "will enhance the prospects for protecting U.S. interests in Hong Kong and positively influencing its future." He advised against "either excessive optimism or excessive pessimism." He concludes that "the transition is progressing much better than most observers forecast when the Joint Declaration was signed in 1984, or after the military assault on Tiananmen Square in 1989. On both occasions, many predicted that massive emigration and capital flight would occur. Neither has."

Given Hong Kong's performance, the extreme bullishness of the business community is understandable. The American Chamber of Commerce in Hong Kong conducts annual surveys of its member companies, and its latest, conducted in late 1996, showed that most respondents looked for a fairly smooth transition and believed that China would adhere to the Joint Declaration and the Basic Law, passed by China's National People's Congress to be Hong Kong's mini-constitution after 1997.

In fact, 95 percent of the members of the Chamber of Commerce expected the business environment in Hong Kong in the next five years to be "very favorable" or "favorable." This was an increase of four percentage points from 1995. The top five positive factors cited were Hong Kong's location, communications network, infrastructure, free

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port status, and taxation. The five worst factors were the high cost of housing, office space, and labor, the low quality of the environment, and inflation. Interestingly, all factors cited, positive and negative, were economic, not political. And the European, Japanese, and Hong Kong business communities echo the optimism of the American business community in Hong Kong.

Why, then, the aura of negativism surrounding the American press? To a large extent, it reflects continued hostility over China's military crackdown in Tiananmen Square. Images of tanks and armed soldiers repressing pro-democracy student demonstrators were seared into the American consciousness eight years ago. Those images remain vivid. Even though China has promised that Hong Kong would largely be able to govern itself, the press is unwilling to give China the benefit of the doubt.

Added to this apprehension is the cumulative effect of reports over the last half-dozen years, while Britain and China were squabbling over Hong Kong, that suggest China intends to dismantle Hong Kong's elected legislature and replace it with an appointed one, to abrogate or water down Hong Kong's bill of rights, and to restore draconian colonial laws that had been amended or repealed by the British. Also, statements by Chinese officials such as Lu Ping, director of the Hong Kong and Macau Affairs Office of the State Council, and Vice Premier Qian Qichen have added fuel to the fire. Hong Kong's pro-democracy politicians have called on the United States and other Western countries to condemn China for its actions in Hong Kong. As a result, there is in the American mind an unease about Hong Kong.

BEIJING'S LEGAL PERSPECTIVE

THIS IS not to suggest that there is no truth to the pessimistic view. There will be some changes, and there may be a rollback of civil liberties. But indications thus far are that the changes will be narrow rather than sweeping.

As far as abolishing the 1995 legislature is concerned, international law is clearly on China's side. Britain had no legal right to hold elections for a term of office that extended beyond June 30, 1997, unless it could reach an agreement with China. Indeed, when China adopted the Basic

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Law in 1990, it expected that the two governments would reach agreement on how the last elections under British sovereignty would be conducted. In the interests of a smooth transition, China hoped that the legislature elected in 1995 would serve two years under British sovereignty and two years under Chinese sovereignty.

The changes in Hong Kong will be narrow, not sweeping.

But Britain changed the rules after Patten arrived as Hong Kong's last governor. Patten expanded the concept of "functional constituencies," which are responsible for choosing half the members of the legislature, from the narrowly based elitist bodies created under his predecessors to embrace the entire working population. Moreover, despite an earlier Sino-British agreement, he changed the nature of the election committee responsible for electing 10 of the 60 members. The Chinese refused to accept these proposals, and when talks remained deadlocked in 1993, Patten proceeded unilaterally. The Chinese announced that they would not be bound by any unilateral British actions and that, as a result, the legislature chosen in 1995 could not remain in session beyond June 30, 1997.

Given that the 1995 legislature would only have a two-year term, Britain—and the rest of the West—should have offered to help China prepare for early elections after July 1, 1997, a course of action I had suggested in a column in the *Far Eastern Economic Review* and during a television interview with Patten. However, the British rejected my proposal, insisting that the legislators elected in 1995 should serve a four-year term and that offering to cooperate with China to hold elections in 1997 would undermine the body. The United States and other Western countries backed the British position.

To avoid a legal vacuum, the Chinese have explained, they had to set up a provisional legislature. But this is strictly temporary. A properly constituted legislature is to be elected in 1998. Members of the Democratic Party and independents are expected to be able to run in those elections. Of course, it will be necessary to ensure that the 1998 elections are conducted openly and fairly. Monitoring of them both within and outside Hong Kong may well be useful.

The controversy over the bill of rights and related legislation has a longer history. Britain is a signatory to the main United Nations

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human rights conventions—the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social, and Cultural Rights—and extended them to Hong Kong in 1968. However, it took no action to implement them and, in fact, did not tell anyone that his or her rights were being protected by the covenants. Instead, Britain repeatedly assured the United Nations Human Rights Committee that there was no need for a bill of rights or other new legislation because human rights were already fully protected. Furthermore, it declared that all existing legislation was consistent with the covenants.

The British position changed in the aftermath of Tiananmen Square. To restore confidence in Hong Kong, the British agreed to enact a Bill of Rights Ordinance for Hong Kong, which put into domestic law the provisions of the ICCPR. The ordinance stipulated that all previous laws inconsistent with the bill of rights be amended, and proscribed new legislation inconsistent with it. After the ordinance came into effect in 1991, Hong Kong's laws had to be scrutinized. The British then discovered that, despite their assurances to the United Nations, dozens of existing laws contravened the covenant. As a result, beginning in 1992, several dozen laws were amended.

In the suspicious eyes of Beijing, the British had needed these laws to administer Hong Kong, and now that the British were leaving, they were taking them away. The Chinese pointed out that Britain had assured them during the negotiations that led to the Joint Declaration that there was no need for a bill of rights. They threatened to repeal it and declared that they might have to restore the amended laws to their old form.

The Chinese also argued that the bill of rights usurps the Basic Law, which, as Hong Kong's constitutional instrument, was superior to all other laws. Three years ago, the China-appointed advisory body known as the Preliminary Working Committee, in a moderating move, recommended that instead of several dozen laws, only six needed to be restored to their old form.

What was reported in the American press early this year as the abolition of civil liberties was a decision by the Preparatory Committee, a body created by Beijing in 1993 to help handle the transition, not to accept the recommendation of the Preliminary Working Committee.

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The Preparatory Committee decided that only two laws, rather than six, needed to be changed. Altogether, 24 Hong Kong laws are to be repealed or amended by China's legislature, the National People's Congress. But most of those are not related to civil rights, having instead to do with British troops, marriages, nationality, and emblems—things that would have to change because of the transfer of sovereignty.

As for the Bill of Rights Ordinance, the Chinese decided to leave it intact but to remove paragraphs that seem to make the law "supreme." Two sections in the law are relevant. One mandates that all previous laws inconsistent with the bill of rights be amended to make them consistent, and the other says that no future law can be inconsistent with the bill of rights. The removal of these provisions will revoke the power of courts to strike down laws on the grounds that they violate the bill of rights. However, the practical effect may be minor. By and large, current laws have already been examined and reconciled with the bill of rights, so the deletion of the bill's powers over previous legislation may have little effect. As far as future laws are concerned, the Basic Law provides that the ICCPR will continue to apply to Hong Kong. Therefore, no laws contrary to the covenant should be introduced. Of course, if the executive knowingly introduces legislation contrary to the covenant and the legislature knowingly passes such legislation, then the judiciary will be unable to strike it down. Monitoring of new legislation by nongovernmental bodies will help ensure that blatant disregard of bill of rights provisions does not occur, and if it does, that such actions are publicized widely both in Hong Kong and abroad.

The two laws amended under the Bill of Rights Ordinance that are slated for change are the Public Order Ordinance and the Societies Ordinance. The British amended the former in 1995, the latter in 1992. Asserting that restoring these two laws to their old form would amount to the abolition of civil liberties in Hong Kong would imply that Hong Kong did not enjoy civil liberties for 151 years.

The old Societies Ordinance prohibited local groups in Hong Kong from having links with foreign political organizations. This prohibition is also contained in the Basic Law, which calls for legislation "to prohibit foreign political organizations or bodies from conducting

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political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies." The amended law permits Hong Kong organizations to have ties to foreign political organizations. The Chinese say that for the ordinance to be consistent with the Basic Law, the prohibition must be restored. They also point to the current controversy in the United States over foreign funding of the Democratic Party to show that in America, foreigners are not allowed to influence political parties.

The Public Order Ordinance, in its unamended form, required organizers of demonstrations to apply for police permits before staging a protest. It was amended so that organizers need only inform the police of their plan to hold a protest. What is proposed is that after July 1, it will again be necessary to get a police permit before staging a demonstration. China notes that many American and European cities require permits from the police before demonstrations can be held. China's desire to give the government some control over demonstrations is understandable. The Chinese have repeatedly said that they do not want Hong Kong to be too "politicized." Hong Kong, they say, should be an economic city. Moreover, they are unhappy that the number of demonstrations has skyrocketed in recent years. The Xinhua News Agency, which represents the Chinese government in Hong Kong, was the scene of 165 demonstrations in 1996, or one nearly every other day. Moreover, when Sir David Wilson, Patten's predecessor, was governor, protesters were kept a certain distance from the Xinhua building. Now they are allowed to protest right outside its entrance. Protesters often camp outside Xinhua all night long, and people who work there are forced to use the back entrance. China no doubt wants to see an end to such activities.

THE BAD WITH THE GOOD

UNDERSTANDABLE THOUGH it may be for China to want to scrap or change some Hong Kong laws, the manner in which these changes are being carried out raises concern. The Basic Law gives China the right to nullify any Hong Kong law that is contrary to it. But it is by no means apparent that the revised Public Order Ordinance is in any

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way contrary to the Basic Law. Similarly, the electoral laws passed under Patten, though objectionable to China, cannot be shown to be contrary to the Basic Law. By declaring that certain laws are contrary to the Basic Law without identifying what specific provisions of those laws contravene what sections of the Basic Law, China is creating the impression that it thinks the law is whatever it says it is. Such an approach is worrisome and dangerous. In fact, China's approach to Hong Kong laws often appears to be political rather than legal.

It will be helpful if international monitoring of Hong Kong continues after 1997. At present, the United Nations Human Rights Committee holds periodic hearings on Hong Kong. It is unfortunate that China has taken the position that although covenants extended to Hong Kong by Britain will continue to apply, China has no obligation to report to the United Nations because it is not a signatory. The Human Rights Committee has taken the position that reports must be submitted either by China or directly by Hong Kong. Recent reports suggest that China is seriously considering becoming a signatory to the human rights covenants. If so, it would solve a major problem for Hong Kong.

Another frequently discussed problem is freedom of the press. Article 23 of the Basic Law says that laws will be passed by Hong Kong regarding subversion, secession, sedition, treason, and theft of state secrets. Such laws will inevitably affect the press. The law against secession, for example, will probably make it illegal for anyone to advocate the breakup of China or independence for Hong Kong, Taiwan, Tibet, or any other part of China. Thus it will become illegal for a newspaper to editorialize in favor of independence. This situation has been made clear by Lu Ping, director of the Hong Kong and Macau Affairs Office of the State Council. He made a distinction between news reporting and advocacy and said that while anything can be reported, newspapers will not be permitted to advocate independence for any part of China. The parameters of press freedom will, in that sense, be narrower.

Much will depend on how new laws are worded. If they are general or vague, they may have a chilling effect on the press and on the public. The impact of the new laws can be studied and gauged, but what cannot be gauged as easily is the impact of self-censorship, which

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is already pervasive in Hong Kong. It is known that China keeps dossiers on reporters and editors, and many are fearful of reprisals.

It is virtually impossible to prove self-censorship, since no reporter or editor is going to come forward and admit that he wrote a story in a particular way so as not to offend China. But there is already plenty of evidence of self-censorship where media owners are concerned. Several years ago, for example, Rupert Murdoch sold the *South China Morning Post*. Afterward he held a press conference where he explained that he wanted to do business with China and the *Post's* critical stance toward Beijing had become a political liability for him. Murdoch also controls Star TV, which used to carry BBC news. But when China became angry with the BBC for a documentary on Chairman Mao that emphasized his sex life, Murdoch dropped BBC news from Star TV.

Within Hong Kong, too, there are signs that media owners have already practiced self-censorship. Several years ago, six top journalists resigned in protest from Asia Television because, they said, ATV management was refusing to show a documentary on Tiananmen Square made by Spanish journalists, who were among the last to leave the square on June 4, 1989, and had rare footage. After the resignations caused a public outcry, ATV finally showed the documentary. Another station, Television Broadcasts, or TVB, obtained the rights to the BBC documentary on Mao. To this day, the station has not shown it. The legislature has inquired and TVB management insists that the problem is simply one of scheduling and that the right time slot has not been found. The right time slot has eluded television management for several years.

UNIQUELY HONG KONG

On the whole, China will try to keep its commitments. China did not spend two years negotiating the Joint Declaration, five years drafting the Basic Law, and many more years negotiating other agreements with the idea that it would tear them all up on July 1. It must be remembered that China did not initiate the return of Hong Kong. It went along under British pressure. The Chinese position on the three nineteenth-century treaties under which Britain acquired Hong Kong was that they were all null and void because

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they were "unequal treaties" imposed on the Qing dynasty through gunboat diplomacy. The expiration of a null and void treaty should have no effect.

However, from the standpoint of the British, their legal right to administer Hong Kong rested on these treaties. The expiration of the 1898 lease on the New Territories would mean that they had lost the right to administer 92 percent of Hong Kong. Thus, beginning in 1979, they pressed China for a decision. The Chinese had just emerged from the chaos of the Cultural Revolution and were preoccupied with domestic problems, but the British persisted. While China was prepared to turn a blind eye to the fact that part of its territory was under British rule because of a historical legacy, it was not prepared to sign a new treaty granting an extension of colonial rule. So in the end, China decided it had no choice but to "take back" Hong Kong.

China had no choice but to "take back" Hong Kong.

Even so, it devised a formula of "one country, two systems" under which Hong Kong would change as little as possible, despite the change in sovereignty. China derives tremendous economic benefits from Hong Kong in terms of trade, investment, and the raising of capital, so that the territory is rightly called the goose that lays golden eggs. Besides, China's ultimate goal is the reunification of Taiwan with the mainland. The Chinese know that if things go badly with Hong Kong after 1997, Taiwan will have no interest in accepting "one country, two systems." Thus there are strong reasons to believe China will honor its commitments to Hong Kong. The problem is that the communists are known as authoritarians. Saying that they will not interfere in Hong Kong's affairs is a little like a left-handed person promising to use only his right hand. The intention may be good, but before he knows it, he will start using his left hand again. There must be a conscious effort to exercise restraint.

During the 13 years since the signing of the Joint Declaration, China has become more and more involved in Hong Kong's affairs. In March it reached agreement with Hong Kong on the budget for 1997-98. But the Chinese negotiator, Chen Zuo'er, made a point of saying that after 1997 it will be up to Hong Kong to draft its own

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budget, and China will not be involved. It is good that such statements are being made because if the Chinese renege after 1997 these pledges can be read back to them.

The extent to which Hong Kong will be different from the rest of China is often little appreciated in the West. For one thing, the border between Hong Kong and China will remain. People in China will not be able to enter Hong Kong freely, much less settle there. Residents of Hong Kong will travel on different passports. Hong Kong will have its own currency, the Hong Kong dollar, which will remain convertible, unlike the Chinese renminbi. English will be an official language, used by the government and the courts. Hong Kong will remain a separate member of such international bodies as the World Bank, the International Monetary Fund, and the Asian Development Bank. Hong Kong will maintain separate treaties with foreign countries to govern economic relations, such as air services agreements, and extradition. In other words, Hong Kong will maintain its separate international identity.

Perhaps in the end China will break its promises of "one country, two systems" with "Hong Kong people running Hong Kong" with "a high degree of autonomy." But it is far too early to assume that will be the case.

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Business and Foreign Policy

Jeffrey E. Garten

DESTINATION UNKNOWN

THROUGHOUT MOST of American history, commercial interests have played a central role in foreign policy, and vice versa. During the next few decades the interaction between them will become more intense, more important, more difficult to manage, and more complicated for the American public to understand. The second Clinton administration should lay out a framework for this interaction to provide the necessary guide for setting priorities, making difficult tradeoffs between economic and foreign policy issues, and gaining popular support.

In mid-1997 it is not clear where either Washington or the American business community is headed. The president's first term ended on a note of ambiguity. The early enthusiasm for aggressive trade negotiations—for NAFTA and GATT and with Japan—was absent in the 1996 election as trade liberalization, possibly the administration's greatest accomplishment, was nowhere on the political agenda. High-profile trade missions had wound down even before the death of Secretary of Commerce Ronald H. Brown in a plane crash while on a mission to Bosnia in early 1996. A Republican Congress made it a high priority to eviscerate the Department of Commerce, the Overseas Private Investment Corporation, and the Export-Import Bank in the name of slashing "corporate welfare," and campaign contributions from

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abroad raised a host of questions about whether America's commercial diplomacy, particularly in Asia, was for sale. The administration's efforts to save the export promotion agencies seemed hollow, and the president's defense of aggressive commercial engagement was less than resounding. Perhaps this was just a hiatus while a new administration and Congress got organized. But it was likely more than that: the executive branch had lost its laser-like focus on the importance of foreign markets to the United States, and a business community that since 1995 had been distracted by tax cuts and deregulation had become complacent about its long-term competitive position in the world economy.

There is a critical need for the administration and business leaders to get their collective act together. Their objective should be a new partnership based on two realities of the changing global marketplace. The first is that the federal government's ability to conduct foreign policy in a world preoccupied with economic stability and progress is dwindling, and Washington has neither the people nor the money to exert the influence it once could. The second is that even though business has the money, technology, and management that make today's world spin, it needs Uncle Sam's help more than ever, particularly in a world where governments are awarding big contracts abroad and companies are becoming ensnared in issues such as human rights, labor practices, environmental protection, and corruption. These circumstances have in them the elements of a cooperative deal.

FOREIGN POLICY, INC.

FOR MOST of America's history, foreign policy has reflected an obsession with open markets for American business. The United States has sought outlets for surplus wheat, new markets for autos and airplanes, and access to raw materials like oil or copper. Business expansion abroad was often seen as an extension of the American frontier, part of the nation's manifest destiny. History even records numerous instances when foreign policy seems to have been made or executed by individual companies; protecting the interests of United Fruit, for example, was once synonymous with Washington's policy toward Latin America. More recently, the Big Three auto companies pushed the first Clinton administration to the brink of a trade war with Japan.

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Business was able to drive a good deal of foreign policy because of unique features of American society. Corporate leaders, lawyers, and investment bankers were able to move in and out of the highest levels of government. The names are familiar: Elihu Root, Thomas Lamont, Dean Acheson, Robert McNamara, Donald Regan, and Robert Rubin, among others. In addition, the Constitution gave Congress control over trade policy, thereby providing continuous and unlimited opportunities for business lobbying. America was not a traditional colonial power; to the extent that it acted imperialistically, its agents of influence and control were generally American banks and companies, not the military.

The U.S. economy is tied to foreign markets more than ever before.

Moreover, the nation's motives were never entirely commercial. The United States has not taken mercantilism as far as France or Japan. Americans have associated commerce with open markets, open markets with political freedom, political freedom with democracy, and democracy with peace. During the Cold War, the nation saw an open trading system that included Europe and Japan as helping those societies resist communism and the Soviet Union.

The United States' fundamental drivers of business and foreign policy will remain constant, since they are deeply rooted in America's history and philosophy. What is rapidly changing now is the context in which the nation's interests are acted out. The new landscape is characterized by globalization of American business, the political and economic fragility of many up-and-coming trading partners, and growing tension between values widely held in America and other countries' economic and political goals.

To begin with, the health of the American economy is more closely linked to foreign markets than ever before. The country can no longer generate enough growth, jobs, profits, and savings from domestic sources. More than one-third of America's economic growth now derives from exports. By the turn of the century, more than 16 million jobs will be supported by overseas sales. From Coca-Cola to Caterpillar, many U.S. companies are taking in more than 50 percent of their revenues abroad. From a foreign policy standpoint, moreover, America's links to most countries, and its potential

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influence on them, depend increasingly on commercial relationships. Trade, finance, and business investment have become the sine qua non of links with Russia, China, Japan, Southeast Asia, the European Union, and the nations of the western hemisphere.

The most crucial markets are those where not only the opportunities but also the commercial and political risks are the greatest. These big emerging markets include those the Clinton administration has identified as America's most promising for trade and investment: Mexico, Brazil, Argentina, South Africa, Poland, Turkey, India, members of the Association of Southeast Asian Nations, the China–Hong Kong–Taiwan region, and South Korea. These countries are growing two to three times faster than the industrialized countries of the Organization for Economic Cooperation and Development; the value of U.S. exports to them already exceeds that to the EU and Japan combined. Over the next decade planners in these markets anticipate spending more than $1.5 trillion on airports and telecommunications and energy systems.

Most of the big emerging markets are undergoing tumultuous political and economic change. From Mexico to South Africa to Indonesia, the simultaneous opening of their economies and political systems is unleashing unprecedented demands and raising profound questions about their ability to sustain high growth, open markets, and political stability. It is in these markets that other American interests—human rights, labor practices, environmental protection, and a reduction of corruption, censorship, and nuclear proliferation—loom large and difficult decisions must be made in Washington regarding an overall approach to foreign policy.

NECESSARY PARTNERS

THE GLOBALIZATION of the world economy has vastly complicated the links between Washington and American business. On one hand, the resources of the American government—money, people with adequate global experience—are shrinking, and the role of American firms as de facto agents of foreign policy is expanding. The spread of business across borders may be the most powerful force operating in the world today. On the other hand, the influence of American

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business, by any measure substantial, does not lack great competition. If Boeing does not play by China's rules, Airbus will. If AT&T does not meet Brazilian requirements, Alcatel would be happy to help.

Globalization, and all the strategic alliances and cross-border mergers it has spawned, raises another question—the definition of an "American" firm and the criteria by which Washington should decide which firms to help. For example, does Northern Telecom, a Canadian firm with substantial manufacturing operations throughout the United States, deserve the same support for overseas contracts from the American government as, say, Bell Atlantic?

Government and business need each other to succeed.

Despite shifting international sands, the government and the business community need each other to achieve their goals. The hallmark of involvement with big emerging markets is that American business depends on Washington's help to liberalize trade, protect intellectual property, remove regulatory barriers, and encourage continued economic reform. It needs the government's help to win major contracts in the many countries whose governments award the deals and where French, German, or Japanese firms are getting help from their governments. Small and medium-sized firms are also major consumers of information on foreign markets from the Commerce Department's global network and from U.S. embassies around the world.

And Washington needs business more than ever to reinforce its goals. The executive branch depends almost entirely on business for technical information regarding trade negotiations, all the more so as the Washington bureaucracy is downsized even as it negotiates an ever broader range of issues. In all emerging markets, America's political and economic goals depend largely on the direct investments in factories or other hard assets that only business can deliver. It can make an enormous difference, too, if American business executives reinforce Washington's human rights efforts with private diplomacy as well as public actions to improve working conditions.

Moreover, there are areas of great strategic significance where U.S. diplomacy and business could not succeed without each other. Take, for example, the Caspian Sea region, home to the world's

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largest underdeveloped oil and gas reserves in the newest and most fragile independent states of the former Soviet Union. Vulnerable to pressure from Russia, Iran, and, potentially, China, the countries of this region require heavy Western investment and visible political support. As the role of business in America's foreign policy grows, so will the public scrutiny. The frenzy of media attention on the possible connection between campaign contributions and policy favors may cause escalating concern about the overlapping circles of public and private interests. This is all the more reason to devise a framework that measures up to America's requirements and the highest standards.

A WORKING FRAMEWORK

BARRING A militarily aggressive Russia or China, odds are that commercial considerations will play an ever greater role in American foreign policy throughout the second Clinton administration and into the next century. Much of our foreign policy could look more like it did during the nineteenth century and up until Pearl Harbor, when, for the most part, commercial goals were paramount. Government and business should consider the following framework to help them work together for their mutual benefit.

First, the administration needs to reach a renewed consensus about the centrality of commercial interests in foreign policy. Many in the administration, Congress, and the broader foreign policy community still believe that commercial policy is a tool of foreign policy, when it should more often be the other way around—the United States should use all its foreign policy levers to achieve commercial goals.

An aggressive commercial strategy would reignite the fervor for trade liberalization during the administration's first two years, when NAFTA and the Uruguay Round were concluded and the Asia-Pacific Economic Cooperation forum was energized. The administration would pull out all the stops to enlarge NAFTA, starting with Chile. It would redouble efforts to keep APEC trade liberalization moving ahead. It would extend itself to get China into the World Trade Organization. It would revive high-profile trade missions to Asia and Latin America. It would not let up on Japan, where markets are still

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difficult to penetrate. All this might sound unrealistic at a time when the president and Congress are preoccupied with domestic issues, but it is no more ambitious than the course that the Clinton team embarked on a few years ago, and nothing about long-term U.S. interests has changed to make it the wrong one.

Second, the administration, together with business leaders, needs to build a stronger constituency for open global markets in the business community and in Congress. Although the Clinton team was successful in gaining passage of NAFTA and the Uruguay Round, the first vote required a huge political push, difficult to repeat time and again, and the General Agreement on Tariffs and Trade treaty received lukewarm support from the business community. Subsequently the administration has had a difficult time getting congressional authority to effectively negotiate an expansion of NAFTA, let alone a sequel to the Uruguay Round. Members of Congress are not elected these days because of their global outlook; local hot-button issues predominate. I saw this first-hand throughout 1995 when an attempt to drum up congressional support for export promotion found little interest in and very little understanding of the connection between exports and community issues like jobs. Business leaders, for their part, are asleep at the switch. They take for granted that the administration—any administration—will always be around to help, without much effort on their part. I saw that in 1995 when the Republican Congress tried to dismantle the Commerce Department, and corporate America yawned.

In short, the globalization of the American economy is weakening the political consensus for free trade. With growing trade deficits, possibly exacerbated by a rising dollar and escalating imports from China and Japan, the situation may get worse. The administration and business leaders should make common cause and get ahead of the political wave of apathy, at best, or protectionism, at worst. This requires a prolonged campaign, not a one-shot strategy aimed at one particular trade agreement. Amid the budgetary issues and scandals in Washington, such plans are not high on anyone's agenda.

In building support for an aggressive policy for more open trade, the administration and the business community must forge a consensus on the growing necessity of multilateral approaches and educate Congress on why they have become so important. In a globalized economy, the

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value of bilateral pressure is diminishing for both opening markets and enforcing agreements. There are too many alternative suppliers to U.S. companies, and too many ways to enter the American market by using foreign subsidiaries or rerouting products through third markets. If we want China to respect global trading rules, pressure not just from Washington but also from Europe, Japan, and even Southeast Asia will be needed. The same argument can be made for everything from intellectual property rights in Argentina to better access for foreign investors in the Indian insurance sector. Congress and large segments of the American public remain skeptical of the WTO on the grounds that we are surrendering sovereignty. But global free trade, which the United States has promoted for a century, requires acceptance of international rules and procedures, and that must be explained cogently.

Third, the administration and business both need a better understanding of the interaction of business interests and human rights. The administration ought to pledge not to legally link trade and human rights except under a multilateral umbrella, such as the former embargo against South Africa's apartheid government. The reason is simple: that is the only way it can work. Unilateral sanctions only put U.S. firms at a major disadvantage vis-à-vis their rivals. At the same time, Washington should keep up every other conceivable means of political pressure, public and private. These include pressure in U.N. organizations and support for nongovernmental human rights organizations that are uncovering and publicizing abhorrent conditions around the world. In return, the business community ought to apply pressure behind the scenes and make efforts to improve the lives of its employees and the foreign communities in which they operate. Expanding health benefits for local employees, ensuring workplace safety, giving technical assistance to local governments—none of this is new to U.S. firms, but the level of activity could certainly be higher.

Human rights encompasses fair labor practices. Companies and the administration can work together to fight exploitation of child labor and other violations of core standards embraced by the International Labor Organization. The recent agreement among sports companies like Nike, Reebok, and Adidas to self-police their operations in the developing world could be replicated in other relevant industries. The U.S. government and American business associations could

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award prizes for American companies that set the finest examples of maintaining standards for their workers. Highlighting these best practices in a visible way—like the Malcolm Baldridge awards given to American companies for excellence in products and services—would help. Washington should work to extend these standards by pressing other governments, the World Bank agencies, and other international institutions to work toward the same goals.

Most CEOs with whom I have been involved over the past several years would have little trouble agreeing in principle with these relatively mild recommendations on human rights and labor. I remember several private conversations with the late Secretary Brown and dozens of top business executives during which we in the administration were trying to gauge support for various voluntary codes of conduct. The executives promised full support not only with regard to their companies but also concerning the policies they would push in their trade associations. Very little happened, however, once lawyers, boards of directors, and trade associations got into the act. The problem is translating intentions into action.

America's economic interest in improving the lives of people in emerging markets goes well beyond enhancing their incomes so that they can purchase more products and services—important as that may be. The issue is the rule of law. If foreign governments do not seek to protect basic human rights, they are more likely to ignore or circumvent other basic laws of great commercial relevance, such as those that protect intellectual property rights, combat corruption, and mandate the disclosure of critical financial information. The arrogance of governments that oppress their people transfers easily to other areas.

American businesses historically have not been on the progressive end of change abroad, preferring stability to the unknown. But there will be no stability in the big emerging markets in the years ahead. Change will be constant and sometimes explosive. The American government and business need to ride this tiger together, not by opposing change, but by trying to move with it, even helping lead it.

Fourth, Washington and the business community need to make peace regarding the use of unilateral export controls for foreign policy purposes. The first Clinton administration made great progress in reducing the number of products subject to controls, particularly in the area of

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telecommunications and computers, and more can be done. At the same time, over the last four years there has been a dramatic increase in laws and executive actions authorizing unilateral economic sanctions for foreign policy purposes. Such controls, sanctions, and embargoes are ill-advised in a world where American firms no longer have monopolies on capital or technology. Early on, for example, the Clinton administration imposed unilateral sanctions on the sale of satellites to China. U.S. companies were hurt, but there was no impact on Beijing's behavior. Today the United States imposes unilateral sanctions on Cuba. The Overseas Private Investment Corporation (OPIC) and the Trade Development Agency, which provides financing for project feasibility studies, are banned from operating in China. There is a good chance that sanctions fever will get out of control without a more sensible reaction from Washington. Individual states like Massachusetts and New York are already flirting with penalties for companies doing business with Burma and Indonesia. The following principle should govern Washington's commercial strategy: Every effort should be made to negotiate multilateral sanctions when necessary, and there should be no unilateral sanctions unless national security is at stake. Moreover, the administration should prepare an annual report analyzing the impact of sanctions on other countries and American companies.

Fifth, the administration and business need to work together to deal with congressional and broader public concerns about commercial diplomacy, including charges of undue foreign influence and corporate welfare. Illegal campaign contributions from Indonesians, Thais, and other foreign nationals are a scandal and need to be eliminated by much tougher campaign contribution laws. There are several other ways to ensure that commercial diplomacy is conducted according to the highest standards of integrity. But the response to any current inadequacies must be measured: we do not eliminate our police forces or our labor unions when there is a need for internal cleanup. By all means, let's upgrade our commercial diplomacy, but not destroy it.

For starters, the export promotion agencies must become professionalized along the lines of the State Department and the Treasury Department. This means fewer political appointments and more scrutiny of professional—as opposed to purely political—qualifications.

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Since the Nixon years, the Commerce Department has been a dumping ground for patronage; that must end.

In addition, the legal staff of the Commerce Department ought to include a three-person task force of career attorneys responsible for vetting all members of government-sponsored trade missions and all overseas projects that receive federal support. All interventions with a foreign government by a cabinet or subcabinet officer on behalf of an American firm would also fall under their purview. This group would report to both the general counsel at the Commerce Department and the secretary of commerce in his capacity as chairman of the Interagency Trade Promotion Coordinating Committee.

Commercial diplomacy should be improved, not destroyed.

Concerning allegations of corporate welfare, the facts speak for themselves. Administration studies have shown the huge bang for the buck from small amounts spent to promote exports. Together with the business community, the administration must make the case for export promotion. They also should be relentless in pointing out the enormous sums spent by America's competition. The federal budget for export promotion has declined from $4.5 billion in 1994 to $2.8 billion in 1997. Meanwhile, all U.S. competitors devote more money and more staff, relative to the size of their economies, than the United States does. In 1995 France spent ten times as much as the United States on export promotion as a percentage of GDP. In 1996 Canada outspent Washington by a factor of ten when it came to government-backed trade missions. Japanese assistance, which includes directing large sums of aid for infrastructure development through procurement contracts for Japanese firms, dwarfs anything the United States would contemplate.

Sixth, it is necessary to change the organization of business-diplomatic interaction in the United States. To help American firms compete, the administration should consolidate trade financing agencies like the Export-Import Bank and OPIC into one streamlined but powerful government-supported trade and investment bank. This should be combined with the Commerce Department's Advocacy Center, the economic "war room" that helps American firms win foreign projects.

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In addition, there needs to be a quantum leap in the number of Foreign Service officers who understand commercial matters. Not long ago, the U.S. embassy in Brazil had six commercial officers and 42 dealing with political and military issues. A similar pattern could be found in many big emerging markets. Here is an area where business and government could cooperate to educate a new generation of qualified men and women to represent critical American commercial interests abroad.

Seventh, the administration and business should assist in the design and implementation of political and economic reforms in the big emerging markets. If the global experiment in democratic capitalism goes awry, the international landscape will be ominous for the United States. Washington and American firms should reinforce one another's advice to foreign governments, pooling their efforts in areas like regulatory policy and upgrading education and training. The administration and American firms need a much deeper dialogue on what it will take for businesses to build a presence in the emerging markets, weather the inevitable storms, and deal with the commercial intelligence gathered from public and private sources.

Finally, the administration needs to be clear about where the country's interests may diverge from the traditional interests of the business community. All foreign policy does not have commercial ends; the interests of General Motors in the world economy are not always the interests of most Americans.

Washington must be discriminating, for example, when deciding which American firms to support abroad. In an age of companies that manufacture in many countries or have multiple strategic alliances with firms of other nationalities, it is often difficult to decide what is an American firm for purposes of U.S. government support. A set of working criteria is required. In order of priority, the administration should help: firms whose incremental overseas activities would add jobs in the United States; firms whose profitability would contribute to the U.S. economy; firms whose incremental activity would add to high-quality technological research in the United States; firms that are incorporated in the United States.

Suppose two American firms are bidding on a project in Turkey. One is incorporated in France but has a subsidiary in the United States. If it wins, it promises to add 20,000 jobs in its U.S. subsidiary

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to produce supplies for the project. The other is an American firm that is a household name. However, it will source the project from its affiliate in Poland. Although its global profits would increase, it would add no new jobs in the United States. In this case, the U.S. government should help the French firm.

The interests of Washington and business also diverge with respect to "pariah states" such as Iran, Iraq, and Libya. In these cases there ought to be a full-court press on our allies to join in economic sanctions. Not only would that make for sound foreign policy, it would also keep American firms from losing ground to their foreign counterparts. In the past, Washington has not always worked skillfully to gain allies' cooperation. The abruptness with which unilateral sanctions on Iran and Libya were announced in 1996 and the take-it-or-leave-it approach of the secondary boycotts in the 1996 Helms-Burton legislation are not the best ways to get allies on board. When there is an overwhelming national security need to go it alone, the government should make a more systematic effort to consult with American firms about ways to implement a policy that inflicts minimum damage on them.

As the United States experiments with new relationships between government and the private sector at home, it is also time to rethink the connections between foreign policy and business and build a more deliberate and far-reaching partnership. The first Clinton administration made a good start, and it would be a shame not to build on it. What is required is more than a sound bite, more than trade agreements that can be cited in a press release, more than the occasional victory for an American firm. The right mindset requires unrelenting and cooperative leadership from the highest levels of government and business. The success of America's foreign policy and economy depends on it.

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Westernizing Russia and China

Michael Mandelbaum

TWO COUNTRIES, ONE PROBLEM

IN THE WAKE of the Cold War, the two most important countries for the United States are Russia and China. The reasons for their importance are plain: their size, their economic potential, and their military power. What is less obvious, but just as important for post–Cold War American foreign policy, is the fact that despite important differences between them, these two nuclear-armed, formerly orthodox communist countries pose the same challenges for the United States.

The similarities between them are rooted in the fact that both Russia and China have abandoned orthodox Marxism-Leninism but have not yet established stable alternative political and economic arrangements. The common, central challenge that these two large countries pose is this: with the end of the Cold War, an international order is in place, consisting of explicit rules, implied norms, and working institutions for relations among sovereign states. It began in the West with the United States as its chief sponsor and most powerful member and has spread, unevenly, throughout the world. Russia and China are ambivalent about joining this order. Unlike a few small countries—Cuba, North Korea, and Burma—that have

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sought to isolate themselves, Russia and China are not international hermits. Nor is either seeking, as both did during the Cold War, to overturn this order. Neither country, however, accords it unqualified support and allegiance.

Coping with Russia and China requires foreign policies different from those the United States reflexively employed during the Cold War. Indeed, the task requires a different set of political categories, and the recovery of a tradition of American foreign relations that predates the long contest with communism.

WEAKNESS AT HOME, POWER ABROAD

FRICTION BETWEEN the United States, on the one hand, and Russia and China, on the other, stems in part from the fact that both Russia and China are multinational states. Each is dominated by a single group—ethnic Russians or Han Chinese. Minorities constitute small percentages of their total populations but are large and self-conscious enough to resent, and even rebel against, what they see as imperial rule.

The Muslim Chechens of the North Caucasus, against whom the Russian army has waged a bloody and brutal, although unsuccessful, war that began in December 1994, are the most openly rebellious of the many non-Russian peoples within Russia. The best-known non-Chinese governed by Beijing are the Tibetans, Buddhists led by the Dalai Lama, whose territory the Chinese communists claimed and occupied in 1950 shortly after the communist victory. In succeeding decades Han Chinese immigrants poured into the region, and the Tibetans' distinctive Buddhist culture came under assault. The end of orthodox communism made the plight of both Chechens and Tibetans a more acute source of friction with the United States by making it easier both for the two peoples to express their grievances and for the rest of the world to hear them.

The American government does not recognize the right of either the Chechens or the Tibetans to what both want: independence. Charged with managing the entire array of issues that make up relations between the United States and the two giants, American officials are often inclined to downplay violations of human rights by the governments of Russia and China. But the broad, albeit

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diffuse, public concern in the West with how even the most distant regimes treat the people they govern, the occasional spotlight thrown on Chechnya and Tibet by the international press, and the activities of international human rights groups have made it impossible to ignore completely what Moscow and Beijing do within their internationally recognized borders. For the foreseeable future, China's government will resist the demands for autonomy among the country's minority populations and for basic political rights among the Chinese themselves, including the residents of Hong Kong after its reversion to Beijing's control. Moreover, its warnings of the sanctions it would impose on the Walt Disney Company for producing a film about the Dalai Lama show how broadly Beijing defines assaults on its political prerogatives. While the Russian government's record on human and political rights is better, and while Chechnya may achieve independence, other minorities within Russia are likely to feel aggrieved and express those grievances. Thus the issue of human rights will remain on both the Russo-American and the Sino-American political agendas.

The issue will be a source of continuing friction—especially with China—but not of outright conflict. The American government will do little publicly beyond expressing disapproval of Moscow and Beijing. For what is a matter of supreme importance for Russia and China—control over what they regard as their sovereign territory—has only a modest impact on the United States. Russian and Chinese human rights violations offend American sensibilities; they do not directly affect American national interests. Another common feature of Russia's and China's domestic politics does, however, adversely affect those interests: the weakness of their central governments.

This weakness represents a momentous historical reversal. For most of the imperial and communist histories of Russia and China, the machinery of the state in each country was far too strong—so powerful that it crushed any and all independent political activity. With the collapse, in Russia, and the steady disintegration, in China, of orthodox communism, the central authorities have become too weak to do what is essential for any government. Both countries suffer from the telltale symptom of governmental weakness: chronic budget deficits. Neither the Russian nor the Chinese government is

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strong enough to resist demands for support, or to collect the taxes needed to finance those demands.[1]

The weakness of the present regimes in Moscow and Beijing confers certain benefits on their citizens, and thus on the rest of the world. The contraction of state power leaves room for what was historically forbidden: independent political activity. At the core of democracy, after all, is limited government. State weakness leaves room, as well, for independent economic activity. It is not a coincidence that the decline of central authority and the rise of free markets have taken place simultaneously in Russia and China. Moreover, some of the power that was once concentrated in the two capitals has dispersed to Russia's and China's many regions. The two countries are becoming federal states, which is also a check on the kind of arbitrary power that has played so great a part in their histories.

The post-communist erosion of central authority is not, however, an unmixed blessing. It underlies developments that have irritated, indeed may have injured, the United States. In Russia, it has loosened what were, in the Soviet era, reassuringly tight controls on nuclear materials, including nuclear weapons. The threat of leakage to terrorists or rogue states of fissionable material or bombs themselves, or the emigration of scientific and technical experts who can make them, is the direct result of the collapse of the once all-controlling Soviet central government. Most Russian nuclear materials are still controlled, but not necessarily by officials responsible for the nation's foreign policies. Russia's atomic-industrial complex functions as a quasi-independent body. Its principal interest is in its own preservation, which requires a steady income to support its large network of plants and personnel. This is one reason it has agreed to sell nuclear reactors to Iran, which the United States believes desires them not for energy production but for making weapons.[2]

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[1]Budget deficits are not unknown in the West, but the problem is more acute in Russia and China. Government expenditures include not only social welfare programs but also the funds necessary to keep afloat large, inefficient, state-owned industrial sectors. Moreover, tax evasion is more pronounced. Nor does either the Russian or Chinese government command the kind of international or domestic confidence that enables major Western governments to borrow in order to bridge the gap between income and expenditure.

[2]These sales do not, by themselves, violate the terms of the Nonproliferation Treaty because Iran is a signatory to it and thus committed in principle to permitting inspection of its nuclear facilities.

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Similarly, Chinese industries manufacture products that are useful for both civilian and military purposes and export them independently of the policies of the central government. Moreover, Chinese factories copy and sell books, software, and videotapes of American origin that are protected by American copyrights, without paying licensing fees. This is piracy, which their American creators argue has cost them billions of dollars. The common goal of Russia's atomic-industrial complex and of China's exports of dual-use technology and pirating of American intellectual property is the familiar capitalist one: profit.

The Russian military and Chinese factories are quasi-independent.

In the communist era, Russian and Chinese policies affecting the rest of the world could safely be presumed to have been deliberately directed by the central government. That is no longer true. The weakness of the center, the absence of effective legal structures, and the pervasive efficacy of bribery all mean that Russian and Chinese ministries and factories enjoy a de facto independence that was unthinkable in the era of orthodox communism and is all but unheard of in the West today, where private economic interests do not routinely defy governments on important matters of foreign and military policy.

While it may be reassuring that the offending policies are not sanctioned by the governments in Moscow or Beijing, the corollary is that what causes discord with the United States will not easily be changed by Russian or Chinese governmental fiat. As with human rights, these issues are likely to linger as irritants in American relations with the two. Still, while difficult, the policies to which the United States objects are not impossible to change. If an issue is important enough, the governments in Moscow and Beijing can impose their will. If the American disks being illegally produced in China were devoted not to popular music but to messages urging the replacement of the communist regime with a Western-style democracy, Beijing would surely find the means to shut down the offending factories. These irritants in American relations with Russia and China persist not only because the administrative capacity of each government is limited, but also because the issues at stake are not important enough for either government to muster the political capital and incur the political costs

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necessary to remove them. One reason for this is that satisfying the United States is not the highest priority for either Beijing or Moscow. Sometimes, in fact, each welcomes a degree of American dissatisfaction.

THE BALANCE OF POWER

THIS FEATURE of Russian and Chinese foreign policy—taking pleasure in Washington's irritation or discomfort—is also a consequence of the end of orthodox communism. In this way it resembles French foreign policy during the presidency of Charles de Gaulle. In all three cases, painful experiences of national decline and humiliation created hypersensitivity to issues of international status. For Russia, the equivalent of the French defeat in 1940 is the collapse of the Soviet Union in 1991. For the Chinese, it is what they see as a century of domination, exploitation, and humiliation by foreign powers that ended only with the communist victory in 1949. In all three, a nationalist foreign policy was, and continues to be, useful as a source of domestic legitimacy—especially in China in the wake of Deng Xiaoping's death. It is probably even more useful for contemporary Russia and China than it was for Gaullist France. The fledgling democracy that has succeeded the Soviet regime in Russia and the autocracy run by Chinese communist officials who, like the people they rule, no longer believe in the tenets of Marxism, Leninism, or Maoism each has a shakier grip on public loyalty than the Fifth Republic. In post–Cold War Russia and China, nationalism is the one cause that seems capable of uniting the country and rallying support for its rulers.

As in Gaullist France, in post–Cold War Russia and China nostalgia for the grandeur of the past and the need to bolster the standing of the present regime have placed a particular premium on foreign policies that diverge from, and at times even oppose, those of the most powerful member of the international community, the United States. Gaullist anti-Americanism involved selective defiance rather than full-scale opposition. Much of it was rhetorical, notably de Gaulle's proclamation, "Vive Quebec libre," during a 1967 visit to Canada and his opposition to the American war in Indochina. "Gaullism" of this kind is not extinct in France, as the disputes between Paris and Washington over control of NATO's southern command, Western policy in the Middle East, and other issues demonstrate.

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Russia and China have also practiced symbolic defiance of the United States, in their friendly relations with countries that the United States considers dangerous "rogue states"—Iraq, Iran, North Korea, and Cuba. But they are considerably more independent than was Gaullist France, in this sense resembling not America's postwar ally but rather the great powers of European history before 1945. They define their interests and prerogatives in more traditional fashion, which has the potential to bring them into conflict with the United States.

Like great powers of the past, Russia and China regard themselves as having special responsibilities, and as being entitled to special influence, in their own regions. For Russia, the region is composed of the newly independent states to its south, in the Caucasus and Central Asia, which were once parts of the Soviet Union. In this region, Russia has helped topple and replace governments, intervened in civil wars, and stationed or kept in place its own troops.

Russia's policies to the south are driven by concerns common to great powers. One is the wish to suppress turbulence and instability before it comes closer to home; the Russians fear Islamic fundamentalism. Another is the desire to block the influence of actual or potential adversaries; Russians are concerned about the designs of their historical rival, Turkey.

In the case of China, the most visible assertion of special regional prerogatives is the assistance Beijing has provided to Pakistan's nuclear weapon and ballistic missile programs, shipping M-11 missiles and ring magnets useful for enriching uranium to weapons-grade purity. The Chinese purpose is the traditional one of strengthening an enemy's enemy—Pakistan against India. But China's nuclear assistance to Pakistan violates the rules of the international nuclear nonproliferation regime.[3] Russian actions to the south violate the more general international norm—albeit one regularly disregarded—against intervention in the internal affairs of other sovereign states. Neither subverts vital American interests, but each conflicts with the post–Cold War American role as the chief advocate for, and enforcer of, international norms, including these.

[3]Specifically, those policies are inconsistent with the Nonproliferation Treaty of 1968 and the Missile Technology Control Regime of 1987. Beijing is not formally a party to the second but signed the first in 1992.

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Both Russia and China pursue traditional great power policies for economic reasons as well. Russia insists on a sphere of influence to its south in order to obtain a share of the profits from its vast energy resources. China has staked out claims in the South China Sea that conflict with those of other Asian countries in part to control the oil deposits that geologists believe exist there.

Russia and China also resemble traditional great powers in their view that military balances are at least as important as trade balances. For that reason, their attitudes toward American military power, especially in what they regard as their own regions, are distinctly ambivalent. They welcome American military deployments that serve as the basis for the American alliances with—and thereby limit the national military forces of—Germany and Japan. Yet Moscow and Beijing are also wary of American military power being put to other purposes in their regions. Their proprietary attitudes toward their home regions, combined with their anxieties about encirclement and even invasion, give rise in both cases to suspicions that the strongest power in the world is seeking to contain, weaken, and even splinter them.

Russia and China are wary of expanded American deployments in their regions.

The government in Moscow was unhappy with the dispatch, in 1995, of American armed forces to the Balkans in response to the fighting in Bosnia. The modifications of the U.S.-Japan Security Treaty announced in April 1996, giving the Japanese greater responsibility for joint military tasks in the Pacific, provoked criticism in Beijing. Washington's goal in the first instance was to stop a bloody European war, in the second to redistribute the costs of an Asian alliance that, because it restricts Japanese military power, China itself favors, in order to make that alliance more acceptable politically to the American public. But many in Russia and China saw more sinister motives. The two initiatives, and the Russian and Chinese reactions to them, thus illustrate yet another potential post–Cold War danger in American relations with Russia and China: conflict arising out of misunderstanding.

Russian and Chinese sensitivity to the deployment and use of American military power near their borders has the potential for serious

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consequences when combined with two features of post–Cold War American foreign policy: the propensity for shaping foreign policies according to domestic concerns, as in the cases of Bosnia and the U.S.-Japan Security Treaty; and the tendency, characteristic of the United States well before the Cold War (and scarcely unknown in other countries) to believe not only that its own intentions are honorable and its policies unfailingly peaceful, but also to assume (wrongly) that no other country could reasonably view such intentions and policies differently. This combination has the potential to produce what students of international politics call a "spiral" of conflict, in which each side takes steps that it considers legitimate and defensive but that are seen as threatening and aggressive by the other, which responds accordingly.

An even more dangerous basis for misunderstanding with Russia than the military operations in Bosnia is the commitment to expand NATO to include several formerly communist countries of Central Europe, a plan viewed as innocent by American government officials but regarded as a provocation by almost all Russians.[4] Similarly, more dangerous for Sino-American relations than recent changes in the security treaty with Japan is the status of Taiwan. A series of uncoordinated American measures, culminating in a presidential decision, under pressure from Congress, to admit Taiwanese President Lee Teng-hui to the United States in June 1995 contributed to the most serious crisis in Sino-American relations since the 1950s. The live-fire military exercises Beijing conducted in the Taiwan Strait at the time of the Taiwanese presidential election in April 1996 provoked the dispatch of two American carrier groups to the waters nearby. Again, a radical difference of interpretation underlay the crisis: China saw the American measures, including the admission of Lee to the United States, as part of a plan to promote de jure Taiwanese independence; American officials denied any such intention.

American policy toward Taiwan illustrates, as well, an even more serious post–Cold War danger than discord through misunderstanding: armed conflict over fundamental differences on issues of supreme

[4]See Michael Mandelbaum, *The Dawn of Peace in Europe*, New York: Twentieth Century Fund Press, 1996, Chapter 3.

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importance to both sides. These are issues that have their roots in the strong currents of nationalism that run just beneath the surface of political life in Russia and China. They are the issues over which wars have historically been fought: territory and sovereignty.

THE FLASH POINTS

BOTH RUSSIA and China have claims to territories that were once governed from their capitals but that they no longer control. The use of force to vindicate these claims would bring military confrontation with the United States. China's claim is to Taiwan; Russia's, to Ukraine.[5] The Taiwan Strait and the Russo-Ukrainian border are the most dangerous spots on the planet, the two places where wars between and among great powers could erupt in the post–Cold War period.

The two claims differ. China's is official: Beijing considers Taiwan part of its sovereign territory. Russia's is not: Moscow has formally recognized Ukrainian independence. In almost every way except juridically, however, Taiwan's claim to independence is at least as strong as, if not stronger than, Ukraine's. It has enjoyed de facto independence since 1950 and has not been governed from the mainland at any time in the twentieth century.[6] Ukraine had no history of independence of any kind for more than three centuries before the collapse of the Soviet Union in 1991. Moreover, since 1950, Taiwan has developed independent, democratic political institutions and a powerful market economy; it is the tenth-largest trading state in the world and has the third-largest trade surplus. By contrast, Ukraine's political institutions were fragile and its economy in a state of collapse in the first years after independence. The citizens of Taiwan increasingly saw their island as distinct from the mainland, while the sense of an independent Ukrainian national identity was weak.

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[5]After the disintegration of the Soviet Union, unofficial Russian claims, or at least irredentist sentiment, extended to all 14 former Soviet republics. Those to Russia's south, in the Caucasus and Central Asia, were not, however, as important strategically for the West as those to the west of Russia. To the west, the three Baltic states were as important as Ukraine, but the feeling that they were properly part of Russia was less strong among Russians, and thus the likelihood of Russian efforts at reincorporation lower, than for Ukraine.

[6]From 1895 to 1945 Taiwan was a Japanese colony.

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Taiwan was threatened by Chinese military power. The greatest threat to Ukraine was collapse from within.

For the Chinese government and for many in Russia, including some in the Russian parliament, the recovery of what they consider to be their territory is an important goal, in pursuit of which the use of force would be justified. The United States has a stake in the security of both Ukraine and Taiwan. Indeed, there is an American commitment of sorts to both. In neither case is it a binding, explicit pledge to come to their defense, of the kind embodied in NATO and the U.S.-Japan Security Treaty. But the Taiwan Relations Act of 1979 does declare that the United States expects the future of Taiwan to be settled peacefully and that any effort to decide it by force would be of "grave concern" to the United States. In the tripartite accord with Russia and Ukraine in January 1994, under the terms of which Ukraine agreed to give up the nuclear weapons it had inherited from the Soviet Union, the United States offered a very general security guarantee to Kiev.[7]

Even in the absence of an American commitment, a forcible effort by Russia or China to control Ukraine or Taiwan, or even the absorption of Ukraine without outright warfare, would damage major Western interests. Europe or East Asia would abruptly seem a far more dangerous place than either does today. Russia and China would appear more aggressive. Other countries of the region, notably Germany in Europe and Japan in East Asia, would feel compelled to react. Each would seek increased military protection from the United States, its own forces, or both. In the worst case, fighting between Russia and Ukraine or China and Taiwan could involve other countries, including the United States.

During the Cold War, in response to what were seen as threats from Moscow and Beijing, the United States adopted a policy of explicit deterrence. In dealing with the two major dangers of the post–Cold War era, however, Cold War–style deterrence, with its formal treaties, publicly stated military strategies, and forces visibly prepared and deployed to carry them out, is inappropriate.

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[7] The American obligation to each has, implicitly, a nuclear dimension. Both Taiwan and Ukraine could have had their own nuclear weapons, which would, arguably, be useful in defending their independence against their large, potentially encroaching neighbors. Each has forsworn these weapons, in part at the urging of the United States.

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It is not at all clear, in the first place, that explicit deterrence is militarily necessary. The Russian army is at present too weak to mount a successful assault on Ukraine. Taiwan is probably able to defend itself against an attack from the mainland, which would involve the most difficult of military operations, an amphibious assault. Nor is a direct military attack, of the kind that Cold War–style deterrence was designed to prevent, the most serious threat to either Ukraine or Taiwan. Ukraine is vulnerable to economic disintegration, which Russia could aggravate by withholding energy supplies. China could cripple Taiwan by a campaign of bombardment and harassment against the ports that are central to the trade on which the island depends for its prosperity, and ultimately its survival.

Nor is Cold War–style deterrence politically feasible. The United States, after all, does not accord legal recognition to Taiwan, nor is it probable that a commitment to defend Ukraine's territory would command support from the American public. Nor would other

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countries be likely to join in such a commitment. During the Cold War, the United States led a coalition of countries that agreed with a strategy of explicit deterrence because they too considered themselves threatened by Russia and, for a time, China. America's Cold War allies would not now be willing to declare publicly that Russia and China are their adversaries, which support for formal deterrence would require of them. One reason for this reluctance is the fear that such a policy would prove counterproductive, inflaming nationalist sentiment that would push Moscow and Beijing toward more assertive policies than they would otherwise pursue. It is the fear of a deadly spiral of hostility.

During the Cold War this was not seen as a possibility. The United States and its allies regarded the aggressive intentions of Russia and China as fixed, their goals clearly imperial. The task of the West was to prevent both from achieving those goals through force, which required adequate countervailing force.

Post–Cold War Russian and Chinese intentions toward Ukraine and Taiwan are not fixed. Neither has made the incorporation of its former territory a high priority. Russia is officially committed to living peacefully with an independent Ukraine. China is committed to governing Taiwan from Beijing, but has shown itself willing to tolerate de facto Taiwanese independence. The two have not renounced their claims finally and completely, but each has opted to defer them. The proper American goal is the continued deferral of any change in the status quo in each case.

TACIT DETERRENCE

How can Russia and China be encouraged to defer acting on claims that are believed—officially in the Chinese case, widely, if unofficially, in the Russian—to involve their sovereign rights? They ought not to be given the impression that the United States and the rest of the international community are indifferent to the safety of Ukraine and Taiwan. If either Russia or China believed it could attack Ukraine or Taiwan with impunity, this belief could lead to conflict through misunderstanding. Nor, however, is it sensible to practice Cold War–style deterrence, which could shatter the alliances that are

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sources of American strength and would increase the risk of conflict through unnecessary provocation. What is required is what might be called tacit deterrence: the communication to Russia and China, indirectly, privately, and multilaterally, of international opposition to the forcible changing of the status of Ukraine or Taiwan.

In one sense, this is simple. By virtue of existing military deployments and demonstrated concern over Ukraine and Taiwan, the United States is already practicing a policy of tacit deterrence. Neither Russia nor China can now be confident that the United States would not interfere with any military operation it conducted. But in other ways the practice of tacit deterrence does not come easily. It contradicts one of the central precepts of Cold War American foreign policy, derived from the interwar period, when the Western democracies failed to stand up to Hitler until it was too late to do so without fighting a terrible war. That precept is the need for clear, explicit, public commitments, backed by armed forces ready to carry them out, in order to put would-be aggressors on notice of the inevitable consequences of aggression. Tacit deterrence runs contrary, as well, to the requirements for conducting the foreign policy of the large, diverse, and historically inward-looking American democracy: a clear goal that can be explained to the public and a present danger to justify the mobilization of resources to achieve that goal.

That difficulty is related to another: a policy of tacit deterrence toward Russia and China is incompatible with the political categories the United States employed for five decades in the conduct of its foreign policy. It was then normal for Americans to classify other countries as friend or foe, ally or adversary, partner or challenger. But post–Cold War Russia and China are neither. Such binary categories are appropriate, indeed inevitable, in wartime; and from 1941 to 1991 the United States was almost uninterruptedly engaged in conflict with hostile, totalitarian powers. That period has now ended.

A more useful way to think of Russia and China is as analogous to unruly adolescents. This is, of course, a metaphor, not an analytical category, and an imperfect metaphor at that. There are many ways in which the two countries are not like adolescents. Nor would it be useful for the government of the United States to refer to them in these terms, for that would reinforce Russian and Chinese resentment of

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what they already see as a patronizing, arrogant strain in American foreign policy. Nonetheless, the metaphor provides helpful insights for American policy toward the two.

In the adolescent stage of development, individuals, like post–Cold War Russia and China, are in the midst of a rapid, bewildering transition from one status to another: no longer what they were but not yet what they will eventually become. They are outgrowing old habits and attitudes without yet settling into new ones. Like adolescents, post–Cold War Russia and China cannot easily be controlled: they are too big. But they are subject to influence. Maximizing influence in both cases involves communicating a clear sense of limits (in the case of Russia and China, practicing tacit deterrence) while maintaining a continuing dialogue even when the words are angry ones. What is required above all is patience, grounded in the recognition that patterns of behavior that are annoying, even threatening, are not necessarily permanent. The desirable outcome, for adolescents and post–Cold War Russia and China alike, is that they voluntarily adopt the norms of responsible adults—in the case of Russia and China, those of the West.

A century of the study of psychology has yielded no sure formula for assuring a smooth transition to adulthood. One tradition of American foreign policy, however, does presume a formula for making good international citizens of Russia and China, a tradition that is evident in post–Cold War American policy toward both. It is a modified version of the international outlook of President Woodrow Wilson.

Just as the vacuum in post–Cold War Russian and Chinese politics created by the collapse of communism has been partly filled by nationalism, so the vacuum in American foreign policy created by the obsolescence of anticommunism has been partly filled by neo-Wilsonianism. Wilson believed that democracies were inherently peaceful and that the key to establishing democracy was the universal application of the principle of national self-determination. In the wake of the Cold War, the United States has put considerable emphasis on a different basis for peace-loving democratic government: capitalism.

Free markets, Americans widely assume, make free people, and people who are free at home will act peacefully abroad. That assumption underlay the American decision to grant normal trading status to

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China, despite Beijing's obvious violations of human rights. It was the basis for the American program of economic assistance to Russia after the collapse of the Soviet Union, which was intended to ease the transition from a centrally planned to a market economy, with particular emphasis on the transfer of property from the state to private hands.

The connections between free markets and democracy, and between democracy and peaceful international conduct, may not rise to the level of a law of history, but they do exist. Free markets, after all, require the rule of law in economic matters. The rule of law is, in turn, the foundation of democracy. A safely democratic Russia would probably have smoother relations with a sovereign Ukraine; a democratic China would be more likely to work out a mutually acceptable relationship with Taiwan. As full-fledged democracies, both countries would be more likely to cooperate more closely with the United States to enforce international norms of nuclear nonproliferation.

Still, whether, or to what extent, the precepts of neo-Wilsonianism are applicable to Russia and China today, the American belief in them is important. For it lends itself to the wisest American approach to the two post-communist behemoths. It can help to avoid the worst case: resentful governments in Moscow and Beijing colluding against the interests of the United States and the West.

At the same time, it can help to encourage the best of all possible futures for Russia and China. A neo-Wilsonian approach can form the basis for American policies designed to make it both attractive and possible for the two countries to move gradually from the margins to the center of the Western-sponsored post–Cold War international order. That order is characterized by democracy, free markets, and popular political participation at home; the two-way flow of goods, services, and capital abroad; and, above all, the creation of political and military arrangements designed to sustain peaceful relations with neighboring countries. Russia is very far from Western norms in economics and relations with its southern neighbors, China just as distant in domestic politics and foreign policy. But each is moving, haltingly, in what is, from a Western point of view, the desirable direction. Doing whatever is possible to promote such a movement is the single most important goal of the post–Cold War foreign policy of the United States.

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Japan's Aging Economics

Milton Ezrati

JAPAN'S DEMOGRAPHIC CRISIS

JAPAN'S POPULATION is aging faster than that of any other country in the world. The unprecedented increase in retirees relative to the size of Japan's work force will force radical change if the nation is to avoid a fiscal crisis, or worse. These seemingly innocent demographic changes will force Japan to shrink its famously high savings rate, reverse its proud trade surplus, send more industry overseas, liberalize its tightly controlled markets, and take on a more active, high-profile foreign policy. Ultimately, these changes will shift the balance of power in East Asia.

Japan's demographic problem has its roots in decreasing birthrates and longer lifespans. The former have begun to starve the country for young workers to replace those retiring, while the latter ensure that a growing population of retired citizens will be dependent on a diminishing working population. Although every industrialized country faces this problem, Japan's situation is by far the worst, not least because Japan has no hope of an influx of youthful immigrants to mitigate the problem. According to Japan's Ministry of Health and Welfare, in less than five years the country's demographic trends will give it a population profile like Florida's. By 2015, one in four Japanese citizens will be 65 or older. In about 2010, according to official projections, Japan will have fewer than half the workers per retiree it has today, a mere 2.5 people of working age for every pensioner. And since not all of working age choose to work or can find employment, it is likely that in the early 21st century Japan will have fewer than two people at work for every retiree.

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Such a large proportion of pensioners is unprecedented in history and will place a heavy burden on Japanese society. The huge elderly population will redirect increasing amounts of the nation's resources into geriatric health care, but more generally, the strain will grow because retired people continue to consume even as they cease to produce in the conventional sense of the word. Whether the retirees draw on well-funded pension plans, savings, or the public dole, everything they consume must be produced by the existing work force. It will be asking a lot of Japan's shrinking work force to support this large and growing pool of retirees as well as themselves, their children, and, given Japanese custom, their dependent spouses. Even if workers' productivity rapidly accelerates, the demands of these dependents will absorb much of the surplus.

Every two Japanese workers will effectively support the burden of about one retiree. And that support will exceed that of a dutiful child caring for aging parents (of which there are many in Japan). Since the burden is countrywide, there is no way for one group to pass it off on another. It will also be far-ranging in the economy, including all medical costs, not just insurance premiums and deductibles. In terms of aggregate income, this demographic situation could ultimately cut the average Japanese standard of living by 18 percent. This reduction would exceed a year's savings, a year of Japan's traditionally high level of exports, four years' growth in the boom years of the 1980s, and more than a decade of growth at the slowed pace of the 1990s. Even if increases in productivity ameliorate this shortfall, it will still leave the Japanese far behind where they would be otherwise and certainly far short of the success to which they have grown accustomed.

No nation can tolerate such a strain without a backlash. In the United States, for example, this pressure would push millions below the poverty line, and if it did not spark rioting or social unrest, it surely would threaten it. While the Japanese are generally less rebellious than Americans, the pressures will force an accommodation.

OVER-THE-HILL ECONOMICS

THE AGING crisis will erode the savings surplus for which Japan has become famous and on which it has based much of its remarkable growth. Private savings will suffer because the elderly put little aside,

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relying on pensions to support their retirement. This corollary to the growth of the retired population could cut Japan's personal savings rate by one-third of its present level of 12-15 percent of income. Meanwhile, the government budget deficit will swell as the authorities struggle to meet public pension obligations that, by all accounts, are even less well funded than Social Security in the United States. At present, contributions to the Japanese equivalent of Social Security and Medicare net the government surplus revenues equal to about 3.5 percent of GDP. While these contributions partially offset deficits elsewhere in the budget, they will disappear when the huge influx of pensioners takes its toll. The Ministry of Health and Welfare calculates that public pension obligations will swell the government budget deficit to 5 percent of GDP indefinitely. Public finances in Japan are already in deficit. The combined impact on public and private budgets could cut the nation's savings rate in half. While the Japanese savings rate would still exceed the U.S. rate of 5 to 6 percent, it would no longer retain the margins that enabled Japan to finance exports, invest in manufacturing and equipment, and modernize its industry.

In five years Japan's trade balance will likely fall into deficit.

Japan's trade surplus will not go unscathed either. The burden of supporting its aging population will shrink Japan's trade surplus along lines parallel to its savings rate. With a declining pool of workers as a percentage of its population, Japan will lose the surplus output that for years has fed its export machine. Indeed, the beleaguered state of Japan's work force will compel the country not only to constrict the flow of exports, but also to rely increasingly on imports. In time, Japan's once commanding trade surplus will shrink into the deficit column.

Labor shortages will compound the problem by fueling the upward drive in Japanese wages. Comparative labor cost figures are notoriously slippery, but by almost all indicators, Japanese labor is expensive already, even after the yen's recent decline on foreign exchange markets. Japanese industry will find it more and more difficult to resist the lure of setting up production in other Asian countries, where labor is cheap and markets are growing fast.

Indeed, the process has already begun. According to Japan's Ministry of International Trade and Industry, in 1995-96 Japanese industry

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invested $900 billion in overseas facilities, up some 50 percent from five years ago. About 15 percent of that money went into the rest of Asia, which is about double the percentage of five years ago, with a growth rate of almost 22 percent per year.

More significant, the bulk of the outlays for manufacturing facilities went to Asia. Visitors to Manchuria, which was occupied by Japan from 1931 to 1945, report on the dominance of Japanese firms and managers in the region. Visitors to Thailand, Malaysia, and Indonesia say similar things. So far, these Japanese factories have concentrated on the reexport of goods and consequently offer a source of export demand for their Japanese parent companies. But this pattern will change as Japanese firms upgrade the role of these facilities. Matsushita, the Japanese electronics giant, has already begun to use Chinese production in its overseas operations. VCRs made in Manchuria bypass Japan and are sold in China, North America, and Europe. Matsushita has opened a research and development facility in Manchuria. Things have gone so far that recent public opinion surveys reveal considerable concern among Japanese businesspeople about the "hollowing out" of Japanese industry.

Ultimately, a substantial portion of the nation's industrial base will relocate abroad, accelerating the deterioration in Japan's foreign trade balance. Already, 1996's trade surplus of $77 billion is down from the $130 billion peak of early 1993. It is likely that within the next five years Japan will have a trade deficit. There is even a chance that consumer demand among the growing retired population and generally changing Japanese tastes will turn bilateral trade between Japan and the United States in America's favor.

FOLLOWING IN OUR FOOTSTEPS

WITH THE shift of a significant portion of its manufacturing might abroad, Japan will eventually come under pressure to reorient its domestic economy, its financial markets, and ultimately its foreign policy. Japan's long-standing emphasis on production and exports will become less and less relevant to the country's circumstances. In time, Japan will resemble what some there refer to as a "headquarters nation," with a focus on management services, finance, design, and research

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supplanting the old emphasis on manufacturing. It is a pattern experienced in the United States during the last 30 years and in Great Britain before that.

Signs of this domestic reorientation are already visible. Manufacturing has shrunk from nearly half of GDP in the 1960s and 1970s to barely more than one-quarter by the mid-1990s. One-third of that drop occurred after Japan's economic resurgence in the late 1980s. Employment figures tell the same story. In the last five years, the number of workers in manufacturing has dropped 10 percent, while the number in services has risen almost 12 percent. For the last three years, Japan has employed more people in services than in manufacturing. Some of this shift reflects the natural slowdown in Japan's economy and its gradual maturing from its fast-growing developmental phase. But there is more at work here than a maturing economy.

Japan must clear its regulatory thicket to help imports flow.

For years, Japanese officials have used a thicket of rules and standards to keep out imports, while government policies have promoted exports and the industrial base. But as Japan's growing retired population reduces the nation's ability to produce goods for export and increases the need for imports, this policy will lose its rationale and eventually be reversed. Japan will want to clear the regulatory thicket to facilitate the needed flow of imports. Accomplishing that could actually be easy, since few of Japan's restrictive rules are specific laws but instead rely on red tape and quality standards administered with considerable latitude. To change the situation, officials need only the motivation to apply the rules differently, and the new circumstances should provide it. Similarly, Japan can accommodate its increased need for foreign products by dispensing with its Balkanized retail distribution system and informal agreements authorizing price markups. The rapid rise of superstores and discount stores in recent years shows how quickly these restrictive practices can change. Also, by reconsidering its long-standing law against holding companies, Tokyo has begun to accommodate business' need to shift its focus from production to management and finance subsidiaries.

A similar reversal of current practices will occur in Japanese financial markets. For years, Japan has striven to give its exports a price advantage

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by keeping the yen cheap on foreign exchange markets. Japan has resisted the currency's tendency to rise under the influence of its huge trade surplus by using financial means to increase the supply of yen on world markets and keep demand down. Thus official Japanese policy has encouraged the flow of yen overseas to purchase financial and real estate investments at the same time it has discouraged any tendency for Tokyo to develop into an international financial center. But in a future with a decreased ability to export, an increased need for imports, and an incentive to buy or build foreign industrial facilities, Japanese officials will want to cultivate the opposite environment. Japan will welcome a rise in the yen's value, making foreign products and facilities cheap. Also, since Japan will face a drop in its savings rate just as it needs financing to develop overseas production facilities, the nation will need increasing amounts of foreign capital. Instead of fighting Tokyo's rise as a financial center or the use of the yen as a reserve currency, Japan will encourage it. Ironically, the decline in the country's savings will help lure foreign money by putting upward pressure on Japanese interest rates. But Tokyo will also need to eliminate the many rules and regulations that currently restrict the practices and financial instruments dear to the world financial community. Bank of Japan policy studies have already begun to advocate wholesale deregulation. And Prime Minister Ryutaro Hashimoto seems to have taken this advice: he moved quickly after the 1996 election to promote financial deregulation as a major part of his new government's program.

A CALL TO ARMS

A MORE active foreign policy will become unavoidable as the overseas expansion of Japanese industry establishes connections in the rest of Asia that Japan will need to secure. Though such a move goes against present Japanese instincts, no nation, including Japan, can afford to locate its production facilities abroad and not develop the capability to at least threaten to project power to protect those sources of wealth. This new security perspective will be all the more radical because it will run counter to Japan's long-standing reliance on U.S. protection of Japanese interests. The United States has not only provided Japan a nuclear

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umbrella and guaranteed the security of its home islands, but it has also secured the shipping lanes to Europe and North America and guarded the oil fields of the Middle East. While there is every reason to expect the United States to continue in this role, Japan, as its links in Asia become more complex and particular, will increasingly have security needs in which the United States has little common interest. In this realm, Japan will have to act for itself, diplomatically and, if necessary, militarily.

Japan will have to act for itself diplomatically and, possibly, militarily.

While necessary and natural, this shift in Japan's foreign policy will not come easy. Even now, three generations after World War II, Japan's population and most of its officials distrust diplomatic and military power. Nonetheless, attitudes are beginning to change. Ichiro Ozawa, secretary general of the main opposition party, the New Frontier Party, has discussed Japan's need to rebuild its diplomatic stature in his policy papers and especially in his 1994 book, *Blueprint for a New Japan*. Recognizing Japan's sensibilities, he and other reformers have couched their suggestions for change in terms of a heightened Japanese role in the United Nations: a permanent seat on the Security Council, greater use of Japanese troops in peacekeeping operations, even a permanent peacekeeping force built around a Japanese core. Although not a complete answer to Japan's ultimate security needs, these U.N.-centered actions would be a powerful first step. They would give Japan more leverage to protect its commercial and industrial interests in Asia and beyond. In time, however, expanded Japanese interests will force Japan to step out from behind the United States and the United Nations and push its own arrangements with its Asian neighbors. To do this, Japan will have to change the tone of its diplomacy and the nature of its armed forces. Such an approach will require Japan to change public attitudes and amend its constitution or find one of innumerable formulas to get around Article 9, which forbids the use of armed force except in self-defense.

Though contrary to long-standing Japanese attitudes, such a shift is not that far off. Asia caught a glimpse of Japan's new posture last summer in its dispute with China and Taiwan over the Senkaku (Diaoyu) islands. A private Japanese nationalist group landed on the uninhabited islands and built a makeshift lighthouse. A group of

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Chinese patriots from Hong Kong chartered a ship to counter this Japanese gesture. There was no official response from China or Taiwan, except to reaffirm their claims. But Japan sent ships from its Maritime Safety Agency—effectively a light naval force—to keep the Chinese away. Significantly, Japanese officials made no effort to remove the Japanese nationalists from the island. The Chinese had no stomach for a confrontation with Japanese naval power. While it was a minor issue in diplomatic circles, Japan's willingness to deploy those ships revealed a major change in official Japanese policy. It is doubtful that Japan would have resorted to such measures five years ago.

PARTNERSHIP WITH A NEW JAPAN

JAPAN'S INCREASINGLY active foreign policy will cause friction in Asia and strain the U.S.-Japanese alliance. Although there is no reason to expect a particularly aggressive Japan, much of Asia still responds to memories of the Japanese military in the 1930s and 1940s. Nor is it hard to imagine U.S. objections to an increasingly independent Japanese foreign policy, especially if it creates links in China beyond purely commercial arrangements. From the Japanese perspective, the U.S.-Japanese alliance may begin to feel more restrictive than reassuring. Despite the strains, Japan and the United States have obvious interests in retaining strong ties. Not only will cooperation serve as a useful counterweight to China's rising strength and assertiveness, but it also offers perhaps the best means to bring stability to this rather explosive area of the globe. Moreover, both nations have an interest in cooperating to keep trade channels open.

Since the existing U.S.-Japanese relationship will become less and less suitable in the new environment, Japan and the United States will need to seek out new arrangements. To function effectively, the relationship must have two basic qualities. First, it must offer Japan room to move from its present status as a U.S. diplomatic client to pursue its newly enlarged, legitimate interests. Second, if the U.S.-Japanese arrangement is to help maintain stability in Asia, it must offer other Asian nations assurance of a continued American ability to impose limits on Japan's policy. While innumerable formulas could accomplish these dual objectives, they are probably best achieved by the United

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States shifting its primarily bilateral approach to the region toward a more multilateral strategy of the sort used in Europe. Admittedly, a Pacific counterpart to NATO seems inappropriate now that the Cold War is over and could raise Chinese suspicions. But establishing NATO-like multilateral arrangements that encompass Japan, the United States, South Korea, the Philippines, and regional associations might give Japan room to pursue its goals without alarming its Asian neighbors.

However the United States and Asian countries approach Japan, they must realize that this nation, known for so many years now for its constancy, cannot and will not remain in the primarily commercial patterns of the past 50 years. The demographic imperatives are too strong. Japan's transition will cost it many of the traits that made it a great economic competitor: an excessive trade surplus, rapid growth, and high savings. But Japan is poised to take on the mantle of a national power in a broader sense, with a diplomatic stature commensurate with its commercial and industrial interests. Provided that can occur without the sudden, threatening shifts that Japan has made periodically throughout its long history, the new Japan will be a stabilizing force in Asia, especially if it is involved in multilateral arrangements with the United States and other regional powers. By taking account of these changes, the United States can guide Japan along a constructive path. If, however, the United States remains oblivious to the implications of Japanese demographics, it will miss the chance to achieve a measure of security in this important and unsettling part of the world.

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Reviews

CORBIS-BETTMANN

U.S. soldiers six miles from the 38th parallel, Chunchon, South Korea, 1951

American policy toward Korea was disastrous—until Clinton arrived.

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Review Essay

Compromised in Korea

Redeemed by the Clinton Administration?

Warren I. Cohen

Korea's Place in the Sun: A Modern History. BY BRUCE CUMINGS. New York: W.W. Norton, 1997, 448 pp. $35.00.

Korea may not have found its place in the sun just yet, but it has reached the front pages of *The New York Times* and *The Washington Post.* As I write, Hwang Jang Yop, one of the principal architects of the North Korean political system, sits in the South Korean embassy in Beijing, an apparent defector. A man who had slipped out of the North 15 years before, said to be the nephew of a wife or paramour of Northern leader Kim Jong Il, has been gunned down in Seoul, allegedly the victim of a hit man sending a message to would-be defectors. Scandal laps at the feet of South Korean President Kim Young Sam as his friends and aides are arrested in a case involving the collapse of the giant Hanbo Steel Company and the loans and bribes that had kept it afloat. Labor unrest seethes in the South as President Kim and his party attempt to keep down wages to maintain their country's competitiveness in world markets. For Americans, questions about the possibility of famine and collapse in North Korea, Pyongyang's nuclear weapons program, and the possibility of war on the peninsula loom over the immediate drama.

But most Americans are as ignorant about Korea as their leaders were in 1945 when they first ordered U.S. troops there. American policy toward Korea between 1945 and 1950 was disastrous, contributing to the division of a people and the precipitation of full-scale war between the Northern and Southern regimes in 1950. During the war, the Truman administra-

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tion, having intervened to save the South from communism, suffered a catastrophic dose of "mission creep," seeing battlefield success as an opportunity to destroy Kim Il Sung's regime and reunify Korea under a noncommunist, perhaps even democratic, government. The ensuing conflict with the Chinese "volunteers" who came to Kim's rescue probably cost several million lives.

For the next 35 years or so, American presidents, liberal or conservative, Democrat or Republican, were occupied with containing communism in the Cold War against the Soviet Union and its allies. Although some fretted, most abetted, or at the very least tolerated, a series of brutal but aggressively anticommunist dictatorships in Seoul. They maintained American troops at the 38th parallel who were both a tripwire to deter Pyongyang and hostages to America's Korean ally. No American president, before the collapse of the Soviet Union or afterwards, was able to devise a policy that achieved more than an uneasy truce on the Korean peninsula. The Cold War has been over for nearly a decade, the U.S.S.R. disintegrated six years ago, but Korea remains divided into antagonistic halves—and American troops are still there.

Now, astonishingly, the Clinton administration, noted for underachievement in foreign policy generally and Asian affairs in particular, seems to be performing brilliantly in Korea. Threading its way through territory mined with Chinese, Japanese, and South Korean anxieties, it has helped defuse crisis after crisis since 1994 and appears to be on the verge of getting North and South Koreans to sit down with Chinese and American representatives to discuss the possibility of formally ending the Korean War. Perhaps Bill Clinton can achieve what none of his predecessors came close to: the peaceful reunification of Korea.

MAVERICK TO MAINSTREAM

No one has done more to call attention to the deficiencies of American policy toward Korea than Bruce Cumings, one of a handful of American scholars proficient in the difficult Korean language. His two-volume, 1500-page *Origins of the Korean War* quickly became the standard work on the subject, although it told readers more than anyone wanted to know. In recent years Cumings has participated in documentary films on Korean affairs, advised American leaders, and attempted to awaken the public to Korean issues, as in his February 1997 article in *The Atlantic Monthly*, which concluded with a call to bring American troops home from Korea. Unstinting in his criticism of the Seoul regime, American ignorance of Korea, and U.S. policies toward the peninsula, Cumings has proudly alienated the South Korean political elite and more than a few American academics, diplomats, and journalists. His new book, disappointingly, is relatively unprovocative—perhaps an indication of how much of his argument has already been accepted.

No one disputes the need for an English-language survey of Korean history. The translation of Ki-baik Lee's useful *A New History of Korea* contains only 13 pages on the years since 1945 and ends in 1960. *Korea Old and New: A History*, published in 1990 and distributed by Harvard University Press, is based on Ki-baik Lee's work but provides extensive coverage of the twentieth century by other scholars, including a superb account of the years 1945-90 by Carter Eckert. As Korean

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studies grow in the United States, stimulated by the Korea Foundation's generous, though controversial, funding, the necessary monographic foundation for broad interpretive work is slowly being constructed. Cumings' book, much of which reads like a chat with his seminar students, should generate interest in the field and make Korea's past and present more accessible to nonspecialists.

Cumings offers a quick survey of Korea from prehistoric times to 1860. He looks a little more closely at events from 1860 to 1945, but almost two-thirds of the book is focused on the years since 1945. Discussions of liberation, division, the Korean War, and industrial development in the South, a fascinating sketch of the North since 1953, and an idiosyncratic chapter on Koreans in America signal Cumings' principal interests. His affection for the Korean people and their culture is apparent throughout, as is his contempt for their leaders.

Particularly interesting for the historian is Cumings' struggle to adjust to new evidence from Chinese and Soviet archives. Thanks to his earlier efforts, everyone now knows the Korean civil war did not begin on that June day in 1950 when North Korean forces attacked across the 38th parallel. No reputable scholar would deny the provocations of Syngman Rhee's South Korean regime. Cumings has persuaded most in the field that no foreign country was more involved or more intrusive in the internal affairs of Korea between 1945 and 1950 than the United States. Few would question his characterization of Kim Il Sung as a Korean patriot determined to reunify his country rather than the Soviet puppet of previous interpreters. But Cumings is wrong to dismiss the evidence David Holloway and Kathryn Weathersby have uncovered in Soviet archives that reveals the extent of Soviet involvement in equipping the North Korean invasion force and planning and directing the attack.

Cumings argues, reasonably, that the documents being released in Moscow and Beijing are incomplete—and everyone knows that governments release documents for purposes of their own, generally unrelated to the scholar's pursuit of truth. Nonetheless, his credibility is undermined by his disregard for the enormously important documentation being published by the Cold War International History Project at the Woodrow Wilson Center—some of which could be used to strengthen parts of his argument. Alexandre Mansourov, for example, has produced evidence that the initial Soviet buildup of North Korea's military in 1947-49 was predicated on fears of an attack from the South, which was being armed and trained by the United States. Chen Jian's contributions provide support for some parts of Cumings' interpretation of China's role while raising questions about others. Cumings' insistence that the Chinese wanted only to defend the Pyongyang regime and had no desire to advance beyond the 38th parallel is puzzling in light of Chen's evidence that Mao wanted to drive the Americans off the peninsula and pressed his commander for one last offensive in spite of the troops' exhaustion and the extraordinary casualties they had suffered.

Cumings' analysis of the larger American role in Korea since 1945 does not flatter the national self-image. Korea's best chance for a united, democratic regime was probably Yo Un-hyong's

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CORBIS BETTMANN

Headed in different directions? U.S. troops and South Korean civilians, 1950

Korean People's Republic, a left-leaning, popularly created government that was organized in late 1945 as American occupation forces arrived. Ignorant and misinformed, the American commander dismissed Yo's apparatus, leaving a chaotic situation that both rightists in the south and communists in the north exploited. Cumings concedes that the Soviets were active behind the scenes north of the 38th parallel, but would have us believe that Kim Il Sung was responsible for organizing the communist government. Rather than risk a communist-controlled unified Korea, the United States opted for a divided Korea, acquiescing in Rhee's brutal suppression of the rebellion that racked the South in 1948-49. On my first trip to Korea in 1969, a general-cum-university president in Taegu told me with some bitterness, "You Americans did to us what even the Japanese never did. You divided our country."

Seeking the roots of the anti-Americanism apparent in South Korea, Cumings stresses American complicity in Southern regimes' suppression of the Korean left, communist and noncommunist, throughout the post–World War II era. He points to American support for the dictatorial Rhee, Park Chung Hee, and especially the brutal and corrupt Chun Doo Hwan,

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architect of the suppression of the popular uprising in Kwangju in 1980. Cumings has found evidence embarrassing to the U.S. military command in Korea, which released Korean troops for operations in Kwangju, and I have yet to encounter a Korean who does not hold the United States responsible for failing to stop the massacre. When Ronald Reagan was induced to invite Chun to the White House in 1981, the invitation was alleged to be Chun's price for sparing the life of the condemned dissident leader Kim Dae Jung, but most Koreans perceived it as an American effort to grant Chun legitimacy.

MODELS, NOT MIRACLES

Although the South Korean economic juggernaut seems to be faltering, the story of the South's rapid industrialization under the leadership of Park Chung Hee is fascinating. Cumings dismisses talk of the "miracle on the Han," seeing instead calculated development on the Japanese model. Park was the product of a Japanese military education, and his vision of the South's modernization approximated first his teachers' "bureaucratic-authoritarian" model, then the Japanese strategies Chalmers Johnson has described as belonging to the "developmental state." Cumings relies heavily on the work of Jung-en Woo (Meredith Woo-Cumings), who has shown how the South Korean state used its control of finance in the country, underwriting the great industrial conglomerates *(chaebol)* that emerged during Park's tenure. Cumings despises Park's antidemocratic, repressive politics and his establishment of the terrifying Korean Central Intelligence Agency (KCIA), but does not hide his grudging admiration for Park's economic accomplishments. Indeed, he even evinces some sympathy for Korean conservatives—surprising in view of his impatience with American conservatives, progressives, and John Lewis Gaddis.

Much of the apparatus of repression that Park and his cohorts created in the 1960s remains in place in South Korea. The National Security Law, which allows the government to trample on its people's civil liberties, is still on the books. The KCIA is hardly more restrained than when the generals ran the country. Only the military seems relatively subdued, patient for the moment with the civilian government of Kim Young Sam. The government, despite its prosecution of Chun Doo Hwan and his protégé Roh Tae Woo for corruption and for their role in the 1979 coup and in Kwangju, has yet to demonstrate its acceptance of democratic processes, as evidenced by its recent parliamentary maneuvering to derail labor efforts to protect jobs and wages. At best it can be described as a *chaebol*-friendly one-party democracy on the Japanese model.

THE UNKNOWABLE NORTH

Cumings has visited North Korea, talked with its officials, and read its publications. He knows the country as well as any American can, but he would be the first to admit that the regime's secretiveness keeps him from knowing very much. Occasionally he seems to go too far in defending Pyongyang, as when he suggests that the 1983 terrorist bombing of the plane carrying the South Korean cabinet might have been carried out without Great Leader Kim Il Sung's knowledge (still "something of a mystery"), or when he argues that the offensive posture of North Korean troops is merely a response

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to the threatening posture of the South. But he balances these remarks by noting that "if and when the regime falls, we will probably learn of larger numbers [of political prisoners] and various unimaginable atrocities."

He does not deny that life in the North is infinitely less agreeable than in the South. Nonetheless, Cumings argues that North Korea is closer to a neo-Confucian kingdom than to Stalin's Russia, a unique political system in which Marxism-Leninism has been grafted onto Korean culture. Recent events, however, have outstripped some of his observations. One cannot dismiss all the news of famine and other calamities coming out of the North as the usual South Korean propaganda.

Cumings' discussion of North Korea's nuclear program is plausible and provocative. He suggests that around 1991 Kim Il Sung and his advisers, responding to the collapse of the Soviet Union and the unfavorable international situation, decided to develop a "small-state deterrent" comparable to that of the Israelis. They worked aboveground, allowing surveillance to pick up sufficient activity to lend credence to the possibility that they had the bomb without announcing possession of it. They followed this with what Cumings describes as a "masterful" diplomatic game, exploiting American apprehensions to gain concessions, including the first high-level U.S.–North Korean talks.

If Pyongyang intended to build nuclear weapons, Cumings argues, it was justified in doing so, given American nuclear threats against it. But he also notes that whatever Kim Il Sung was up to, it led to the brink of disaster in 1994, when pressure mounted for the Clinton administration to bomb North Korean nuclear facilities. Cumings claims that the arguments of a small group of scholars, including himself, convinced Washington that Kim was sincere about giving up his nuclear program in exchange for better relations with the United States. I trust Cumings would not begrudge praise for the State Department's Robert Gallucci, principal negotiator of the October 1994 framework agreement that ended the crisis.

NOT JUST YET

Today, as the situation in North Korea deteriorates, the moment is inauspicious for the withdrawal of American forces from the peninsula. Conditions are too volatile. American troops are useful not only as a deterrent to a desperate attack by the North but as a check on the United States' friends in Seoul. The South Korean military and the KCIA are not likely to see themselves as beneficiaries of reduced tensions. The scandals dogging South Korean political leaders and their corporate collaborators, combined with labor unrest, may well tempt elites to try Shakespeare's advice for Prince Hal, "to busy giddy minds with foreign quarrels." Surely that is the basis for Seoul's expressed fear of American appeasement of the North, as it was for its exaggerated treatment of an incursion by a North Korean submarine last year.

It is not too soon, however, to draw down the U.S. presence in the city of Seoul and to return some of the real estate controlled by the American military so as to cut down on incidents with civilians before one like the rape of a 12-year-old girl in Okinawa in 1995 further damages American forces' standing in South Korea. No other step would be so likely

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to reduce anti-American sentiment in the country without detriment to the U.S. strategic position. But when it is all over and the Yanks go home, leaving behind a peacefully unified nation—as may well happen before the end of the millennium—do not expect gratitude from the Korean people. Many, if not most, Koreans are unfriendly to the United States, for reasons Cumings indicates clearly. Korean culture has traditionally exhibited a distaste for foreigners that foreign troops' ethnic slurs and mistreatment of Korean women have only aggravated. Politically articulate South Koreans reject official U.S. claims of innocence in the Kwangju massacre. And now they are subjected to allegations by their leaders that the United States is selling them out to curry favor with the North. There is already talk in the National Security Council in Washington of South Korea slipping into China's orbit. Indeed, Chinese strategists play Seoul's game, contending that American efforts to ease tensions with Pyongyang are part of the Clinton administration's master plan for the containment of China.

Cumings, harshly critical of every previous administration, gives the Clinton team high marks for its handling of North Korea. Things could still go awry, but Cumings' verdict may well be proved right. Over the last few years Washington has been surprisingly sensitive to the sometimes conflicting concerns of Beijing and Tokyo as well as Seoul and Pyongyang without jeopardizing American interests in the region. On the North Korean nuclear issue, at least, the Chinese appear to be acting responsibly at last. If new Secretary of State Madeleine Albright and her fresh crew of East Asianists can manage both to stay focused on the issues and to hold the president's attention, there may yet be a happy ending to the story of the two Koreas.

On the other hand, a reunified Korea with burgeoning ties to China will pose troublesome questions about U.S.-Korean mutual defense arrangements. Reunification will not elicit joy in Tokyo and will likely raise new issues for the Japanese-American alliance. There will still be work for those concerned with the security of East Asia.

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Review Essay

War Ça Change

The End of Great Power Conflict

John Keegan

The Rosy Future of War. BY PHILIPPE DELMAS. New York: The Free Press, 1997, 256 pp. $23.00.

Philippe Delmas seeks to persuade us that there will be no New World Order, if that means a world without war. He believes that the future will bring wars in profusion, largely because the world places false hopes in the concept of legal order, which he holds to be no substitute for the strength of traditional states. Currently a counselor at the French finance ministry and formerly an analyst at the Quai d'Orsay, France's foreign ministry, Delmas is equally pessimistic about the prospects for peace through economic integration, which he sees as a source of, rather than a cure for, material rivalries.

What follows is a brisk Anglo-Saxon summary of an extremely French book. To say that Monsieur Delmas has a capacity to infuriate a pragmatic Englishman is to put the case mildly. For page after page, his prose recalls to me those unbearable afternoons of *philo* in the lycée where I had been sent to learn French in 1951—to an English mind, a farrago of wordplay, hollow conceptualization, and false antitheses. For instance, "The political map of the world was frozen so that the entire planet would not freeze in a nuclear winter." It may sound better in French—reading along, I kept on catching myself guessing at the original—but "la carte politique du monde se congelait à fin que la planète entière ne soit pas gelée par un hiver nucléaire" is not a particularly arresting thought even in retranslation. If he means that the Cold War kept the lid on regional conflicts between the superpowers' client states, why doesn't he say so?

There is much more, and much worse. The book reads in part like Giscard d'Estaing in a post-presidential mood—lofty, know-it-all, and world-weary—

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and in part like long extracts from an *Economist* regional survey, full of declining GNPs, rising birthrates, unauthorized technology transfers, and multinational corporate dealings with weak governments. The author is particularly keen on multinationals, as keen as Frederick Forsyth or Jeffrey Archer, and as impressed as their readers are supposed to be by the number of multinationals that have budgets larger than those of most sovereign states. Multinationals bulk large in his cosmology as underminers of elected governments, alternative sources of power, and enemies of international economic arrangements. But international organizations also cause him gloom with their false promise of harmony through harmonization, if I can invent a phrase that Delmas himself does not actually inflict on us.

ACTION, NOT WORDS

Buried somewhere in his opening chapters, the author does have the beginnings of a case to make. He identifies the end of the Cold War, and the nuclear disarmament by the superpowers that preceded and followed it, as an important change in the international security system. Nuclear deterrence made states behave whether they possessed nuclear weapons or merely sheltered in a possessor's shadow. In the retreat from deterrence, states have sought new guarantees of good behavior in the creation of systems based on law. Those systems constitute what he calls "order," as distinct from "power" exercised by dominant politics. In a lengthy reworking of the Hobbesian idea that "covenants without swords are but words," he argues that international law has no force of itself, that its imposition requires actions, that action must take a military form, and that, in consequence, "war has a rosy future."

In support of this prognosis, we have the long *Economist*-style passages on economic disparities between and within regions, exacerbated by the activities of multinational corporations. Common markets, tariff agreements, single currencies, and the like, Delmas writes, can only palliate and must in the long run erode the "order" that systems of law—the United Nations and its subsidiary and local imitations—seek to sustain.

Delmas is not the first to offer such a vision of the future. In his book *The Transformation of War*, Martin Van Creveld, an Israeli scholar, proposed something similar, though much more directly. (It is an interesting thought that Israelis, having adopted English as their international medium of communication, and in a distinctively British form, have liberated themselves from the obscurities of Continental idealism and now talk straight.) Van Creveld also believes that the state is withering away, that multinationals, including criminal conspiracies, are the potencies of the future, and that the world is fated to decline into a condition of chronic insecurity in which the rich will barricade themselves into enclaves and the rest will make do the best they can. Even if one does not agree with Van Creveld, one can at least understand him.

Should one agree? I think not. Both Van Creveld and Delmas really do no more than bring us back to Hobbes' starting point, the war of all against all. Van Creveld gets there empirically, through his observations of the failure of states to deal with terrorism, organized crime, ethnic and religious dissidence, and the lawlessness of rogue regimes, which foster

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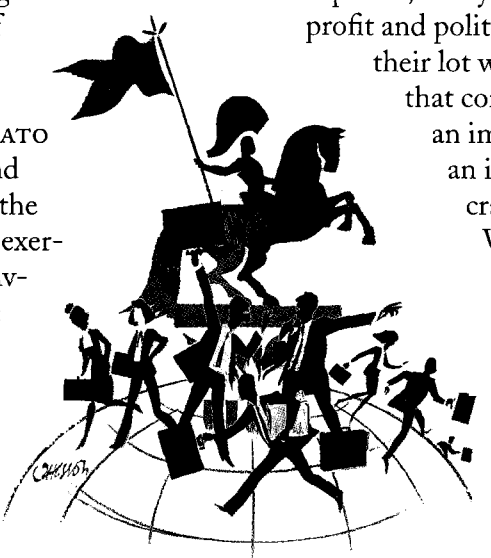
lawbreaking and harbor lawbreakers. He is not impressed by the success of the coalition forces in the Persian Gulf War, believing the survival of Saddam, Qaddafi's Libya, Hamas, and Algeria's Islamic Salvation Front to be more significant indicators of the future. Delmas proceeds a priori. Choosing "order" and "integration" as the concepts by which to define the organizing principles of the post–Cold War world, he has no difficulty demonstrating the contradictions inherent in either, and therefore roams free in pessimism. The more states there are—he points out that the world now has 200—the weaker they will be and the readier to pursue empowering legitimacy by violent emphasis of their ethnic, religious, or ideological differences from their neighbors.

MOUNTAINS OF MOLEHILLS

This is smoke and mirrors. Nuclear weapons have not gone away, and those powers that possess them remain as keen as ever to minimize the number of other states that do. Effective military powers are actually decreasing in number. The multiplication of states is a distraction in serious military analysis. Of the old NATO states, only Britain and France count besides the United States, which exercises the military equivalent of the economic power it possessed in 1946, when its GNP was equal to that of the rest of the world put together. Among the old Warsaw Pact states, only Russia weighs in at all, and then only because of its nuclear arsenal. There are no significant military powers in Africa or most of Asia. India is a potential superpower but must first come out of the nuclear closet. China's superpower status is compromised by its internal problems, which will persist as long as it temporizes between capitalism and communism. Until India and China realize their military potential, strategic power thus rests in the nucleus of the original Western alliance, no matter whether there are 200 or 500 states in the world.



The financial importance of multinational corporations, however much they disperse their activities across international frontiers, does not change the reality of a world of states. The power of multinationals to undermine states is an illusion. No currently existing multinational has succeeded in transforming itself into a Leviathan in the Hobbesian sense, nor does any seem willing to take the risk. All multinationals need the security of a home base that only traditional sovereignties provide, and they may therefore be expected, in any choice between putative profit and political loyalty, to throw in their lot with an existing state that controls an efficient army, an impartial judiciary, and an incorruptible bureaucracy. Whether one uses Van Creveld's empirical analysis or Delmas' a priori approach, the conclusion is the same. No supranational company has a long history. They were either subordinated to states,

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usually willingly, or else became states themselves, like the East India Company, an outcome to which prevailing ideology is hostile.

Outside of stirring regional contests, weak states in a polymorphous world lack the potential to make trouble for others. No weak state acting on its own has any capacity for power projection. Those that dominate the extraction or movement of vital resources—as Iraq found to its dismay in 1990-91—expose themselves, if they choose to interrupt the flow, to the wrath of states that can project power. The quarrels of weak states threaten to involve stronger states only if they arouse the humanitarian and peacemaking impulses of the more powerful. Such involvements may end in humiliation, as with the United States' intervention in Somalia, but that will in no way alter the realities of power. Potential do-gooders merely learn to let the unteachable settle their quarrels among themselves.

PEACE THROUGH STRENGTH

Self-confident states with strong armies are the only assurance of civilization. To keep the peace, they will have to be tough, as they were during the Persian Gulf War. There they fought to defend the ease that oil brings to their citizens' lives. They may in the future have to squash upstart states that seek to unsettle the world by acquiring weapons of mass destruction. They have proved themselves up to that challenge in the past; it is worth remembering that from the United States the head of the Gulf is the most inaccessible point in the world, yet American forces reached it in war-winning strength, and show no signs of shirking in the future.

As long as that is true, war does not have a rosy future—at least not war in the sense the world has known it since Napoleon. Superpower war, waged with the maximum potential of weapons available, defies reason, and no great state conducts an unreasonable foreign policy. Wars by weak states that challenge the power of those with a capacity to project force seem doomed to failure. Wars between or within weak states may make heart-rending television, but people have a remarkable capacity to harden their hearts against tragedies they feel are no concern of theirs. War, in my view, is therefore fated to fill few headlines in the newspapers my children and grandchildren will read.

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Response

The Dream of Democratic Peace

Americans Are Not Asleep

John L. Harper

In defending the Clinton administration's policy of promoting democracy abroad, Strobe Talbott cites H. L. Mencken's remark, "The cure for the evils of democracy is more democracy" ("Democracy and the National Interest," November/December 1996). Mencken's reaction to finding himself quoted to support basing U.S. foreign policy on the notion of the "democratic peace"—if printable—might be, "The most common of follies is to believe passionately in the palpably untrue." He would be the first to point out that the Achilles' heel of this passionately held argument is that it has palpably little to do with the experience of the country that presumably ought to confirm it: the United States.

The democratic peace is essentially a historical hypothesis, a set of propositions based on past experience. In Talbott's version, "Countries whose citizens choose their leaders . . . are more likely than those with other forms of government to be reliable partners in trade and diplomacy, and less likely to threaten the peace." American experience suggests another view: a country may feel solidarity toward other countries with similar political values and institutions, but countries become reliable partners only when their interests require it.

When this is the case, the nature of their respective systems does not seem to count for much. American security has been seriously threatened at four points: the Revolutionary War, the Civil War, the Second World War, and the Cold War. On the first and third occasions, indispensable help came from tyrannical sources: Louis XVI's France and Stalin's Soviet Union. During the Civil War, the North's best European friend was czarist Russia. And calling our most reliable

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partners in the Cold War democratic would seem to be confusing democracy with dependence on the United States. But the democratic peace hypothesis does more than misrepresent the way the world actually works: it is a dangerous and misleading recipe that, if followed, will cause America's leaders to neglect the country's true security needs.

A FRIEND IN NEED . . .

The United States's nondemocratic but reliable-because-dependent friends have included Egypt, Saudi Arabia, Pakistan, South Korea, Singapore, Indonesia, Tito's Yugoslavia, Salazar's Portugal, Franco's Spain, Turkey under military rule, and much of Latin America before the democratic trend. Autocratic governments may at times be less stable, but that does not mean the United States can easily dispense with them as allies. Nor does it mean that democracy will make them more reliable. The Philippines, South Africa, and Taiwan may be happier as democracies, but will they be more reliable partners for the United States? The new Eastern European democracies will prove reliable only if they receive American protection. By the way, if democracy is such a vital factor in state behavior, is it worth jeopardizing the democratic transition in Russia by extending NATO to the east?

Japan, Germany, and Italy have respected, and to a degree emulated, the United States, but they became reliable partners because the United States defeated them, helped rebuild them, and protected them from an outside threat. Two of the world's most important democracies have been rather less reliable: India and France. One reason, certainly, is that as relatively secure, nuclear-armed states, they have felt less dependent on the United States. Shared democratic norms and institutions link Britain and the United States, but shared language, ethnicity, and Britain's strategic dependence on the United States are more important. Britain was a liberal democracy before World War II but not a reliable partner—nor was the United States for Britain. Britain became a reliable partner when it ceased to be a rival and grew dependent on the United States for its survival after 1939.

Let us examine another Clinton administration proposition at the heart of the democratic peace hypothesis. Talbott writes, "The larger and more close-knit the community of nations that choose democratic forms of government, the safer and more prosperous Americans will be, since democracies are demonstrably more likely to maintain their international commitments, less likely to engage in terrorism or wreak environmental damage, and less likely to make war on each other." This statement would seem to confuse American history with a liberal fairy tale. As they waged the Revolutionary War against the most liberal of the great powers, aided by one of the more despotic, the 13 original American states adopted the most democratic constitutions ever seen. The Clinton administration view implies that after the war, in the absence of a strong central authority, the 13 democracies would have lived in peace. We will never know, but it is doubtful whether the democratic peace hypothesis would have passed this intriguing test. The most acute contemporary observers saw ample reason for future conflict among the American states—commercial rivalries, apportionment of the national debt,

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attachments to rival European powers, and above all, control of what was then the west.[1]

The United States declared a war of dubious necessity, promoted by liberal democratic forces, against Britain in 1812. Britain was engaged in a struggle with Napoleonic France, not the least democratic of the powers but the greatest threat to peace.

Only 50 years later, and whatever else it may have been, the Civil War was a struggle for power in North America between two democratic states. Had he been alive, Jefferson, the symbol of liberal democracy, may well have backed Virginia and the South. During the Civil War the North came dangerously close to war with Britain when, in 1861, a Northern captain halted the British steamer *Trent* and imprisoned two Confederate officials on board.

While the creation of an overseas empire came at the expense of undemocratic Spain, America's imperial career does little to support the view that the United States, by virtue of its democratic norms and institutions, is inclined to solve international disputes pacifically and to promote democracy abroad.

Perhaps the First World War lends credence to the Clinton administration's case. After all, the United States fought alongside the more or less democratic Allies against the semi-autocratic Central Powers. But Woodrow Wilson and many liberals perceived the democracies to be nearly as predatory as the Germans. Their favored solution to the war was "peace without victory" for either side. When German actions forced him to make common cause with Britain, France, Italy, and Russia, Wilson insisted that the United States was their "associate" rather than their "ally." Pro-Allied interventionists like Theodore Roosevelt and Henry Cabot Lodge felt a cultural kinship with Britain, but they were driven by geopolitical, not ideological, concerns. A majority of Americans probably did not identify strongly with either Wilson or Roosevelt. But they knew a threat when they saw one: in early 1917, Germany resumed unrestricted submarine warfare to stop the United States from selling supplies to the Allies. The United States fought World War II to stop a far more pernicious set of international outlaws, and it did so with the help of one of the world's least democratic states.

IDEALPOLITIK AS ELITISM

Finally, Talbott argues, "The American people have never accepted traditional geopolitics or pure balance-of-power calculations as sufficient reason to expend national treasure or to dispatch American soldiers to foreign lands. Throughout this century the U.S. government has explained its decisions to send troops 'over there' with some invocation of democracy and its defense . . . The American people want their country's foreign policy rooted in idealpolitik as well as realpolitik." But this would seem to confuse the desires of the majority of the American people with those of an elite. There is little evidence for the proposition that majorities have supported military intervention because they wished to defend democracy or that they would have failed to do so in the ab-

[1]See Alexander Hamilton, "The Federalist No. 7," *The Federalist Papers*, New York: Bantam, 1982, pp. 27-32.

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sence of a Wilsonian appeal. A majority supported intervention in 1917 because of the German threat on the high seas. A majority supported intervention in 1941 because of the Japanese attack. A majority supported intervention, up to a point, during the Cold War because of anticommunism, which it was cynical—or sensible—enough not to confuse with defending democracy in places like Vietnam.

A majority, too, will support military action after the Cold War for similar reasons: when it feels threatened or aggrieved, and when the human cost is low.[2] The basic weakness of Wilsonianism today is exactly what it was 75 years ago: lack of broad support at home. At various times political leaders have appealed successfully to the public's enlightened self-interest, patriotism, fear, anger, cupidity, or parochial loyalties, but never to its alleged attachment to "idealpolitik." When the Truman administration launched the Marshall Plan, Dean Acheson, as he later recalled in his memoirs, knew that the American people could not be persuaded to pay for that important enterprise "by as Platonic a purpose as combating 'hunger, poverty, desperation, and chaos'"—nor, he certainly would have added, promoting democracy abroad. Despite the Truman administration's rhetorical overkill, it probably had a better sense of the American public's temper in its day than the Clinton State Department does in its own.

FOREIGN POLICY FUNDAMENTALS

A sound foreign policy has to be based on a more accurate notion of what accounts for reliability than the Clinton view. The one indispensable factor in forming reliable partnerships is not democracy or the lack of it, but self-interest, and there is not the slightest reason to think that will change. A sound policy should also be based on a clear notion of how the rest of the world actually sees the United States. Many of the countries that look to the United States for help and protection do not want to adopt the essentials of the American political and economic system and would not be in a position to do so even if they did. One of the more convincing "defenders" of the democratic peace acknowledges that it operates, if at all, only when an American liberal elite *believes* that a particular country meets its democratic standards, although emotions and misperceptions may affect the elite's judgment, and that same liberal ideology may prod the United States toward war with those who fail the test. It is little wonder that not only ideological rivals but fellow democracies have seen American idealpolitik, the attempt to universalize liberal ideology, as the "will to power cloaked . . . in idealism"—in other words, imperialpolitik.[3]

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[2]When asked to rank 15 possible foreign policy objectives early in the post–Cold War period, respondents ranked protecting U.S. jobs first and helping to spread democracy fifteenth. See David Gergen, "America's Missed Opportunities," *Foreign Affairs*, America and the World 1991/92, pp. 1-19.

[3]In 1944 President Franklin Roosevelt set out his conception of the postwar world for General Charles de Gaulle during a meeting at the White House. In his memoirs, de Gaulle wrote of Roosevelt, "As was only human, his will to power cloaked itself in idealism."

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A sound policy, finally, has to be based on a historically informed notion of what kind of people Americans really are. The history of the twentieth century clearly indicates that they are neither the fodder for demagogues that realists sometimes suggest nor the aspiring missionaries of liberal dreams. The truth is that, like most people everywhere, Americans simply cannot afford not to put their selfish interests first, and they have generally had a fair idea of where those interests lie. "The truth," as Mencken once said, "would quickly cease to become stranger than fiction, once we got used to what it is."

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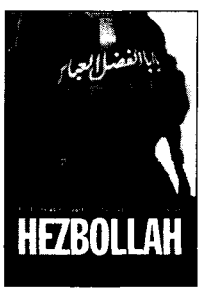

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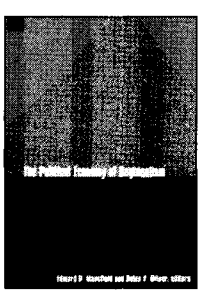

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Recent Books on International Relations

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FRANCIS FUKUYAMA

The Dictionary of Global Culture. EDITED BY KWAME ANTHONY APPIAH AND HENRY LOUIS GATES, JR. New York: Alfred A. Knopf, 1997, 717 pp. $35.00.

This book begins from the reasonable premise that most encyclopedias and studies of global culture tend to be Eurocentric, and that most people (Americans, perhaps, in particular) know very little about cultural traditions of other societies. The authors therefore polled scholars from different parts of the world and asked them to list their society's most important cultural contributions; the present volume is a compilation of the responses they received.

While the dictionary has many interesting, amusing, and occasionally surprising entries, it suffers from a central conceptual problem. The editors want this to be a guide to an emerging global culture, that is, a culture that is shared across traditional cultural boundaries. Much of the book, however, is simply a catalog of the globe's cultural artifacts, without regard to their importance or influence on other parts of the world. To have focused on truly global (that is, transnational) culture, the editors would have had to make some difficult choices, since not all cultural artifacts travel well or have an influence on the world at large. Non-Brazilians devour samba music and Beethoven is played in Japanese department-store elevators, something that cannot be said, say, for Chinese opera. The authors avoid the need to prioritize and pass judgments on the importance of these items by using a dictionary form, and by admitting up front the incompleteness of their list. Even so, some of the choices are odd: the Nation of Islam merits a page and a half, while Pentecostalism and Mormonism, easily two of the most important transnational cultural forces today, are missing.

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We Are All Multiculturalists Now. BY NATHAN GLAZER. Cambridge: Harvard University Press, 1997, 173 pp. $19.95.

The kind of multiculturalism represented by the Appiah-Gates dictionary poses interesting problems for American identity. If American or Western values are not potentially universal ones but merely cultural byproducts of a certain type of northern European Christian culture, then a foreign or human rights policy based on spreading them to other parts of the world becomes questionable. Samuel Huntington has made this argument in *The Clash of Civilizations,* and it is the premise of the multicultural curricula now taught in American public schools. Nathan Glazer notes that while fights over "political correctness" have focused on higher education, multiculturalism has won an almost complete victory in primary and secondary schools. He notes that the downplaying of Europe in favor of non-Western histories and cultures in the public school curriculum is inevitable, hence the book's title, though he is not happy with the more extreme versions of multiculturalism. His analysis of the relative failure of the United States to assimilate its black population, despite his own early optimism, is sobering, and goes a long way toward explaining the drive for multicultural studies in American classrooms.

The New Golden Rule: Community and Morality in a Democratic Society. BY AMITAI ETZIONI. New York: BasicBooks, 1997, 314 pp. $26.00.

The founder of the communitarian movement brings together a number of themes from his earlier writings and lays out the case for a society with strong intermediary institutions—families, churches, voluntary associations, and the like—that neither leaves individuals to their own devices, nor makes them dependent on a large and overweening state. Etzioni rightly criticizes calls for a stronger civil society that fail to define the moral rules on which such a civil society can be built. Those waiting for such a definition in this book will be disappointed, however, since the author maintains that such rules are to emerge only through an extended moral dialogue. While the case for the reestablishment of more authoritative norms and stronger community is unimpeachable, it will require clearer stands on right and wrong than the gentle measures proposed in *The New Golden Rule.*

The Culture of National Security: Norms and Identity in World Politics. EDITED BY PETER J. KATZENSTEIN. New York: Columbia University Press, 1996, 562 pp. $50.00 (paper, $18.50).

Since the collapse of the Soviet Union, students of international politics have been trying to come to terms with the fact that existing analytical tools had left them totally unprepared. The dominant Cold War framework, realism, proved woefully inadequate to the task of understanding how a great power like the Soviet Union could suddenly reinterpret its own national security interests, shortly before dissolving into a myriad of unanticipated new national identities.

This volume draws on the work of mostly younger scholars who have abandoned the realist model in favor of a richer view that draws on concepts from sociology and cultural studies like norms and identity. Alastair Johnston's chapter, for

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example, argues that while China followed realist precepts in foreign policy, it did so not because realism is a universal mode of state behavior, but because it arose out of Chinese cultural and historical experience. Other chapters look at the development of international norms in areas like human rights and chemical weapons proliferation.

The broadening of realism to take account of social and cultural factors in the shaping of security policy is to be welcomed. The authors of this collection have largely avoided the pitfall of abandoning power politics altogether as a framework in favor of cultural studies.

Growing Artificial Societies: Social Science from the Bottom Up. BY JOSHUA M. EPSTEIN AND ROBERT AXTELL. Washington: Brookings, 1996, 208 pp. $39.95 (paper, $18.95).

Astute readers will note the influence of the Santa Fe Institute and concepts of "complex adaptive systems" in this book's title. Most social science models, including the general equilibrium model at the heart of modern neoclassical economics, mathematically reconstruct the aggregate behavior of populations by imposing highly simplified behavioral assumptions on them (for example, rational utility maximization). These models also tend to be static, that is, they cannot account for evolutionary change over time. Modeling "from the bottom up" means using computers to test the interaction of individual agents rather than aggregated populations, and has been used successfully in the life sciences to predict the evolution of complex biological systems. This book describes an extension of this methodology into the social sciences, in particular the authors' "sugarscape" society in which individual agents engage in sexual reproduction, trade, learning, and a range of social behaviors. While the issues raised here may seem overly technical for general readers, the use of this technique represents a recognition that existing models are too simplistic and mechanical ever to capture the realities of complex social systems. The next logical area for it to spread is into military modeling, and readers should expect further works along these lines in the coming years.

The International Dimensions of Democratization: Europe and the Americas. EDITED BY LAURENCE WHITEHEAD. New York: Oxford University Press, 1996, 431 pp. $65.00.

The burgeoning literature on transitions to democracy has been largely written by students of comparative politics who are often specialists on one country or region, and hence tend to emphasize domestic factors in explaining why democratic transitions do or do not come about. This book explores systematically the international dimensions of democratization. As Whitehead points out, the simple geographical contiguity of democratic transitions occurring first in southern Europe, then in the Caribbean and Latin America, then in formerly communist countries, and the wave-like pattern in which democratizations happen suggests that international influences are at least as important as domestic ones. His introduction and the chapter by Philippe Schmitter suggest a taxonomy of mechanisms through which democratic influences are transmitted across borders, including contagion, control (where one or more countries explicitly promote democracy), consent, and conditionality (through the

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influence of international institutions like the International Monetary Fund or World Bank). Subsequent chapters explore concrete cases in Latin America, Europe, and Eastern Europe and provide useful assessments of the effectiveness of democracy—and human rights—promotion policies by the United States, Europe, and various NGOs.

Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies. BY RONALD INGLEHART. Princeton: Princeton University Press, 1997, 440 pp. $60.00 (paper, $18.95).

Based on the University of Michigan's long-running and massive World Values Survey, this book provides substantial empirical support for the concept of modernization—that is, that economic, social, and political development are linked in coherent ways and that all societies undergoing modernization tend to follow certain consistent trajectories. While eschewing deterministic or linear theories of historical development, Inglehart notes that virtually all highly developed societies are experiencing a shift from industrial-age values such as economic and physical security or a strong work ethic to "postmodern" values emphasizing quality of life or self-expression. The book's data give support to the classic Lipset correlation between economic development and democracy, and adds an important cultural variable to the explanation for why these phenomena are linked: interpersonal trust and organizational membership, factors emphasized in Robert Putnam's work on Italy, are found to be correlated with both development and democracy. Nonacademics might find the book's presentation of statistical data a bit off-putting.

U.N. Peacekeeping, American Policy, and the Uncivil Wars of the 1990s. EDITED BY WILLIAM J. DURCH. New York: St. Martin's Press, 1997, 502 pp. $49.95.

This follow-up to the author's earlier edition, *The Evolution of U.N. Peacekeeping,* presents case studies of major recent U.N. peacekeeping operations in Angola, Cambodia, Bosnia, Somalia, and Rwanda. The collection details the by now familiar dilemmas of peacekeeping: many conflicts like Bosnia require peace enforcement rather than peacekeeping, but the contributing states are seldom willing to commit sufficient resources or to take sides in highly politicized situations, leaving U.N. forces on the ground as powerless hostages. This volume does not add anything surprising to the knowledge of peacekeeping, but the individual chapters are more comprehensive than many of the books on this topic in recent years.

Economic, Social, and Environmental

RICHARD N. COOPER

Who Elected the Bankers? Surveillance and Control in the World Economy. BY LOUIS W. PAULY. Ithaca: Cornell University Press, 1997, 176 pp. $25.00.

The core of this book skillfully describes the evolution of international monetary cooperation from the League of Nations

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in the early 1920s to the International Monetary Fund in the 1990s, stressing the continuities and changes over the past 75 years. The author contends that widespread and relatively free international movements of private capital, implying a reduction in scope for governmental action in both macroeconomic stabilization and in income redistribution, did not just happen. It reflected a series of conscious decisions by governments about what, on balance, would best enhance national economic well-being.

The underlying thesis that market globalization, however brought about, delegitimizes the nation-state is much overdrawn. Most problems of governments these days, in rich and poor countries alike, do not arise from external pressures or events.

The Collapse of Barings. BY STEPHEN FAY. New York: W. W. Norton, 1997, 310 pp. $27.50.

Transatlantic fallout from the near collapse of the English merchant bank Baring Brothers in 1890 helped lay the groundwork for the creation of the Federal Reserve System. The collapse of Barings in 1995 may similarly presage major changes in the regulatory framework for financial institutions. Drawing on official reports, court records, and numerous interviews, journalist Fay gives a detailed account of the frenzied environment of derivatives trading in the early 1990s, of the events that led to the bankruptcy of Barings after 233 years, and of the subsequent investigations and recriminations.

It is a story well told. The plot's theme concerns who was ultimately responsible and whether, as trader Nicholas Leeson hinted, there was a conspiracy within Barings' senior management. Fay concludes that while Barings' management, the Bank of England, and the Singapore exchange were all too tolerant, even casual, in their supervision, Leeson bears full responsibility for the deceptions that resulted in losses of $1.4 billion. A novel element points to the initial regulatory tolerance and subsequent investigative bias of the Singapore authorities, resulting possibly from their eagerness to build up Singapore as an international financial center. There are object lessons here for many, but especially for controllers within financial firms, following the rapid growth in geographical diversity and substantive complexity of their business.

War by Other Means: Economic Espionage in America. BY JOHN J. FIALKA. New York: W. W. Norton, 1997, 242 pp. $25.00.

The author's thesis is that the American economy is being undermined by foreign "spies" seeking practical knowledge from and about the United States. The book contains many good, well-written war stories drawn from journalistic accounts, court records, and interviews. It makes the case that many foreigners—especially Chinese, Japanese, Russians, French, and Israelis—are indeed trying to gather information about the United States, that some of this gathering is shady or illegal, and that some of the information in the hands of foreign competitors could damage the interests of American firms.

Where the author, a reporter for *The Wall Street Journal,* goes wrong is in his grand generalizations and the big picture they represent, as in his hyperbolic analogy between foreign (not necessarily official) information gathering and the attack on

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Pearl Harbor. He suggests that foreign spying can undermine U.S. competitiveness in the world market, a proposition that gives too little weight to, and reflects too little confidence in, the great innovative capacity and flexibility of the American economy. The author discovers, to his evident horror, that American universities disseminate information, sometimes even valuable information, and sometimes to foreigners. He overlooks that much of American success rests on American openness, and indeed that many U.S. firms earn their living by selling information, sometimes embodied in products, sometimes not.

No doubt U.S. firms should be more security-conscious, and this book serves a useful purpose by drawing attention to systematic attempts by others to gather information, both open and proprietary. But wholesale adoption of the author's information-restrictive perspective would do far more damage to the American economy than has the information that foreigners have gathered.

Lessons from the Economic Transition: Central and Eastern Europe in the 1990s. EDITED BY SALVATORE ZECCHINI. Boston: Kluwer Academic Publishers, 1997, 590 pp. $129.95 (paper, $59.95).

Over seven years have passed since the destruction of the Berlin Wall and the de-communizing of Central and Eastern Europe. The former Warsaw Pact countries have all moved to market economies and at least quasi-democracies, although at different paces, with different sequencing, and with diverse performance. What can be said about this process of radical social and institutional transformation and economic reform after half a decade?

This book makes available in one place a wealth of relevant material and assessment, in the form of 23 papers with related discussion and commentary. They were presented, mainly by economists, including a number of participants in the reforms, at a conference sponsored by the Paris-based Organization for Economic Cooperation and Development (itself a legacy of the Marshall Plan) in May 1996. The performance of Central Europe can be summed up by saying that it was less good than hoped for but better than could be reasonably expected. The papers and discussion are ably summarized by the editor at the outset, and Nicholas Stern of the European Bank for Reconstruction and Development gives an excellent overview of economic performance.

Drucker on Asia: A Dialogue between Peter Drucker and Isao Nakauchi. BY PETER F. DRUCKER AND ISAO NAKAUCHI. Newton: Butterworth-Heinemann, 1997, 200 pp. $19.95.

This "dialogue" is really a series of loosely collected monologues by renowned octogenarian business consultant Peter Drucker and Isao Nakauchi, founding CEO of a highly successful chain of convenience stores in Japan, and modestly described by an editor as "the most innovative executive in the world." The exchange occurred in late 1994 and early 1995 and is here translated from the Japanese.

The format is interesting—relatively short remarks on topics of mutual interest, with little concern for overall coherence or continuity. The dialogue ranges from the

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emergence of China and the viability of the Japanese educational system to the role of the computer in business and the need for the radical reorganization of government. Those familiar with Drucker's writings will not find great surprises here, but the writing is nonetheless stimulating and reflects his seasoned wisdom. Drucker is optimistic about the future of Japan, more so than Nakauchi, who worries about the ability of Japanese to move beyond creative imitation to true innovation. Both strongly emphasize the importance of individual initiative, the need to engage employees of all organizations in the processing of information as well as the provision of labor, and the great desirability of "reinventing government" everywhere, but especially in Japan, to rid it of outdated or counterproductive functions.

Military, Scientific, and Technological

ELIOT A. COHEN

Warfare in the Western World, 2 vols. EDITED BY ROBERT A. DOUGHTY AND IRA D. GRUBER. Lexington: D. C. Heath, 1996, 1,012 pp., $98.32.

This is a massive and in some respects quite traditional kind of book, military history of the West from 1600 to the present at the operational level—that is, a description of the large movements of armies (more rarely, navies and air forces) across theaters of war. Herein lies both strength and weakness: coherence at the price of a rather narrow focus. The editors, distinguished historians themselves, have assembled an able cast of American historians as contributors; the work would have profited, in fact, by the inclusion of some foreign experts. It must be noted, moreover, that the production is unattractive: margins are too narrow, and maps and diagrams few, monotone, and not very imaginative. Footnotes are lacking, although each section has a list (not annotated) of suggestions for future readings, some of which are questionable. Despite these reservations, these writers know their work and have produced a solid set of narratives. This will be a valuable work for readers looking for a jumping off point for further exploration, or for answers to some basic questions.

Military Innovation in the Interwar Period. EDITED BY WILLIAMSON MURRAY AND ALLAN R. MILLETT. New York: Cambridge University Press, 1996, 428 pp. $64.95.

The editors have produced similar works before, and as in the past, they are doing so in response not merely to historical curiosity, but to a contemporary imperative—hence their introductory thanks to Andrew Marshall of the Defense Department. There are few questions as pressing for defense leaders as how military organizations innovate, and the interwar period is of particular interest as a period of limited financial resources and yet rapid technological evolution. As in any edited work, the essays are of mixed quality. But Alan Beyerchen's essay on German, British, and American work on radar is alone worth the price of the book and is a splendid demonstration of how a cultural and scientific historian can make a major contribution to military history. The description of how culture, organization, and strategic predicament shape a military's reception of a new technology is simply brilliant.

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The Codebreakers: The Comprehensive History of Secret Communication from Ancient Times to the Internet, revised ed. BY DAVID KAHN. New York: Scribner, 1996, 1,181 pp. $65.00.

When it first appeared in 1967, Kahn's book on cryptography received warm reviews from both experts and an appreciative lay audience. With panache and scholarly authority, it covered such famous cryptographic stories as the Austrian empire's superbly efficient "black chamber" in the eighteenth century, the Dreyfus Affair, and the antics of Herbert Yardley, the bizarre genius whose successful attack on secret Japanese communications enabled the United States to outmaneuver Japan at the Washington Naval Conference of 1921-22. In 1967, however, the big story had yet to come out publicly, namely that the British, later assisted by the United States, had mounted the most successful codebreaking effort in history against Nazi Germany during World War II. Unfortunately, this barely revised version of a classic work assigns this and other major stories that have come out in the last three decades to an inadequate additional chapter just 14 pages long. A pity, because Kahn has continued to publish important works on this subject in the intervening decades. Understanding, then, that this is more a reprint than a revision, readers may still consult it with profit and interest.

Mao's Military Romanticism: China and the Korean War, 1950-1953. BY SHU GUANG ZHANG. Lawrence: University Press of Kansas, 1995, 338 pp. $45.00.

The history of the Korean War, like that of Vietnam, has been written with remarkably little reference to the other side. For that reason alone this would be a welcome book, drawing as it does on Chinese sources, including documentary collections recently published in China. This fascinating study shows that Chinese leaders were confounded by a war that did not fit the theories they had devised in years of struggle with the Nationalists and Japanese. The author is unsparing in his brief examination of American ethnocentrism and no less scathing on the errors of Mao and the People's Liberation Army, and will leave the former's reputation as a master strategist sorely—and rightly—damaged.

The Reader's Companion to Military History. EDITED BY ROBERT COWLEY AND GEOFFREY PARKER. Boston: Houghton Mifflin, 1996, 573 pp. $45.00.

What were the key battles in the long struggle between the Turks and Byzantines? When were skis first used in warfare? Was the Egyptian victory at Kadesh a product of military genius, or a "triumph of royal advertising?" These brief, well-crafted essays on nearly 600 topics in military history offer a source of education and enjoyment to both scholars and lay readers. Drawing on the talents of over 150 authorities, the editors present discussions on military theory, famous battles and leaders, and military organizations, as well as on more obscure topics such as the "Representation of War in Western Art" and "Military Medicine." While Western military matters are "privileged," a good accounting is given of Chinese, Japanese, and Korean military affairs. Oddly enough, the editors also provide

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"top ten" lists of the best and most overrated commanders, best examples of tactical brilliance, and greatest military disasters. Thus while Robert E. Lee is given credit for one of the ten best examples of tactical brilliance at Chancellorsville, he also is cited as one of the ten most overrated commanders. Yet no criteria are offered for selection, ensuring that this rewarding volume will also stimulate discussion and debate.

ANDREW KREPINEVICH

Out in Force: Sexual Orientation and the Military. EDITED BY GREGORY M. HEREK, JARED B. JOBE, AND RALPH M. CARNEY. Chicago: University of Chicago Press, 1996, 337 pp. $65.00 (paper, $18.95).

This is at once a collection of analytical essays and a work of policy advocacy; unfortunately, the latter dominates the former. Some of the studies (for example, on foreign militaries' policies) are quite good; others are tendentious. The authors, including some Defense Department analysts, generally share the view that restrictions such as the "don't ask, don't tell, don't pursue" policy on gays in the military are retrogade, unwarranted, and doomed. The arguments for this position are varied, and include reference to the experiences of other professions, the practices of foreign countries, opinion data, and, to a problematic degree, mere assertion. A more balanced approach might have included not only some dissenting views, but essays by operational commanders and military historians, who have a different vantage point. Psychologists and sociologists are not the sole or necessarily the best judges of policy choices bearing on military discipline and combat effectiveness.

A Cavalryman's Story: Memoirs of a Twentieth-Century Army General. BY HAMILTON H. HOWZE. Washington: Smithsonian Institution Press, 1996, 316 pp. $24.95.

Here is a general of whom few save soldiers have heard, but he made as large a mark on the American army as any chief of staff. Howze, who began his military career with horses, ended up pioneering the military use of helicopters. Rotary wing aviation now supports not merely casualty evacuation (its first function in military service) but the tactical movement of troops and materiel, and the direct application of firepower. That the United States has led the way in this field, to include having an entire division (the 101st) built around this mode of transportation, is largely due to the efforts of this pioneer, who skillfully describes the various obstacles that lay in his path. The general seems to have written the memoir by himself, and his soldierly qualities as a leader come through all the more clearly for that.

Managing "Command and Control" in the Persian Gulf War. BY MARK D. MANDELES, THOMAS C. HONE, AND SANFORD S. TERRY. Westport: Praeger, 1996, 170 pp. $55.00.

Mandeles, Hone, and Terry, the primary authors of the U.S. Air Force's Gulf War Air Power Survey volume on "Command and Control," clearly and persuasively chronicle how the "fog" and "friction" of war, and the limitations of large, complex military organizations, hampered the U.S. air campaign. In great, sometimes excruciating, detail, the authors discuss the missing links and lapses in the U.S. air command structure. No Air Force

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effort was undertaken before the war to determine targets that could force an Iraqi capitulation. No practice was undertaken on assembling and coordinating the 2,000 daily sorties that would characterize the campaign. And senior commanders were not apprised of the difficulties of presenting an accurate picture of the battle or getting a quick response to their orders, they tinkered with air tasking orders at the last minute, and they were unaware of the cascading effects. Many problems were solved or mitigated by fixes on the fly, often due to individual initiative. But the authors caution that while this approach worked against Iraq—a passive and, truth be told, weak adversary—the United States may not be so lucky next time.

ANDREW KREPINEVICH

The United States

DAVID C. HENDRICKSON

Promised Land, Crusader State: The American Encounter with the World Since 1776. BY WALTER A. MCDOUGALL. New York: Houghton Mifflin Company, 1997, 295 pp. $25.00.

A beautifully crafted examination, rich in argument and historical detail, of the traditions of American foreign policy. The author, the editor of *Orbis* and a professor at the University of Pennsylvania, consigns to deserved oblivion various shopworn antinomies customarily employed to understand U.S. foreign policy. His new scaffolding identifies a set of four "perfectly proportioned" traditions from the early republic, and he uses these to evaluate twentieth-century diplomacy, particularly all varieties of Wilsonianism and "Global Meliorism," in highly unflattering (and very witty) terms. McDougall's chapters on the follies of the crusading impulse in this century are gems, but he misses elements in the late eighteenth- and nineteenth-century tradition (like the emphasis on the law of nations and the intense interest in federative systems among sovereign republics) that are vital to understanding it. If we are to appeal to the past to chart the future, that past—and not simply Unilateralism and Nationalism, in accents of "Don't Tread on Me!"—is entitled to remembrance too.

America and Europe: A Partnership for a New Era. EDITED BY DAVID C. GOMPERT AND F. STEPHEN LARRABEE. New York: Cambridge University Press, 1997, 276 pp. $34.95.

The nine authors of this valuable compendium seek a new partnership for the troubled union between Europe and the United States. Their core assumption and insight is that Euro-Atlanticism offers the only viable basis on which to sustain American foreign policy, vastly superior to all the other "isms"—isolationism, unilateralism, and U.N.-based multilateralism—that parade as false substitutes. Working from the bottom up in seeking the foundations of a workable world order, the authors, mainly affiliated with RAND, seek a new partnership with Europe that is "more ambitious, more global, and more equal." That is a tall order, because certain inequalities are built into the terms of the relationship,

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and because Europe and America have been most often at loggerheads when they have encountered one another "out of area." So there is much reason to suspect that the more ambitious projects thoughtfully explored in this volume will go awry, and much reason to believe in the indispensability of seeking common action anyway.

FDR and the Creation of the U.N. BY TOWNSEND HOOPES AND DOUGLAS BRINKLEY. New Haven: Yale University Press, 1997, 285 pp. $30.00.

An instructive and briskly written account of the formation, under Franklin Roosevelt's tutelage, of the United Nations. A concluding chapter brings the story up to the present and argues for the heightened relevance of the U.N. system in addressing the manifold problems of the post–Cold War world. The authors, both distinguished historians, have turned over every scrap of evidence to understand the intentions of the Sphinx, making this book one of the best short introductions to the subject; but they are too charitable in treating the baffling contradictions and mistaken assumptions that FDR and his team bequeathed to their immediate successors. The indefensible subordination of political to military objectives in war; the public denunciation of spheres of influence (as Roosevelt was privately recognizing them); the profound inattention to the means by which the West might be given coherent organization after the war; the concomitant miseducation of the American public—all this must yield, in this reviewer's judgment, a less favorable verdict: that FDR's realism was often unrealistic and that his idealism was often focused on the wrong ideals.

Butter and Guns: America's Cold War Economic Diplomacy. BY DIANE B. KUNZ. New York: Free Press, 1997, 416 pp. $30.00.

An incisive account, by a historian at Yale, of U.S. and allied economic diplomacy over the past half-century, featuring expert synopses and evaluations of the attitudes, policies, and negotiating stances of Western governments. The question that runs throughout the narrative is whether "we can have it all," and the author's conclusion is that by and large we did. She gives lavish credit to military spending for sparking the postwar growth in the American economy and faults Eisenhower (most unpersuasively) for misunderstanding in his Farewell Address that "it was precisely the American defense spending he condemned that brought unheard of prosperity to the United States." In warning of the "military-industrial complex," Eisenhower was affirming republican values that transcended the question of economic growth, but even on the smaller economic question Ike was right: the diversion of American capital and expertise into weapons production made an important contribution to the later loss of competitiveness and "crumbling infrastructure" Kunz deplores. And authors really ought to stop quoting Lord Palmerston's dictum that "we have no eternal allies," only our eternally selfish interests. The economic diplomacy Kunz recounts would have been far less successful had Western statesmen not affirmed the permanence of the community within which differences of interest and perspective unfolded—had, in short, they talked like Palmerston instead of Churchill.

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George Ball: Behind the Scenes in U.S. Foreign Policy. BY JAMES A. BILL. New Haven: Yale University Press, 1997, 275 pp. $30.00.

An unusual biography, innovative in method and theme, that uses Ball's career to illuminate deeper truths about statecraft and governance. The cover photo—Ball in his disheveled office, surrounded by heaps of books and papers, with the turned-up brow suggestive of sagacity and wit—nicely captures the character of this intelligent and prescient diplomat. The book begins with a day in the life—an arresting description of a July 21, 1965, cabinet meeting that resolved, over Ball's dissent, on escalation in Vietnam; proceeds with an examination of his roots and professional preoccupations; and then examines his outlook on and participation in a succession of crises in foreign policy. The book concludes with an extended contrast between Ball and Henry Kissinger that is overdrawn but makes the right assumption: that students learn of wisdom and prudence in statecraft by observing the wise and prudent in action. That George Ball was one such is convincingly shown in this admirable study.

Lyndon Johnson's War: America's Cold War Crusade in Vietnam, 1945-1968. BY MICHAEL H. HUNT. New York: Hill and Wang, 1996, 146 pp. $18.00.

This is a tragic tale, told by a talent, full of sound and fury, and signifying quite a lot. In addition to providing a skillful and engaging account of the long escalation, though in mercifully short compass, Hunt draws attention to the right lessons. Nations renovate themselves as much by

reflection on their mistakes as on their successes, so it is important to be reminded of "inescapable human limits, the international misunderstanding and miscalculation that inexorably flow from those limits, and the material and spiritual destruction that human beings can as a consequence visit upon one another."

The Encyclopedia of U.S. Foreign Relations, 4 vols. EDITED BY BRUCE W. JENTLESON AND THOMAS G. PATERSON. New York: Oxford University Press, 1997, 1,936 pp. $450.00.

These handsome volumes, prepared under the auspices of the Council on

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Foreign Relations and the supervision of Nicholas X. Rizopoulos, represent a remarkable accomplishment. There are 1,024 entries, anchored by 51 major essays, that cover every aspect of U.S. foreign policy from late colonial times to the present. Written by eminent authorities, and festooned with maps, charts, and chronologies, this four-volume set will be immensely useful to anyone interested in this vast subject—from beginning students looking for accessible overviews and bibliographies to scholars wishing to check facts that are out of mind (but no longer, happily, out of reach). The editorial team responsible for these volumes—which every library should have, and every scholar and policymaker will want—has superbly executed a herculean task.

Western Europe

STANLEY HOFFMANN

Nazi Germany and the Jews, vol. 1: The Years of Persecution. BY SAUL FRIEDLÄNDER. New York: HarperCollins, 1997, 436 pp. $30.00.

Friedländer's lifelong work on Nazism and the fate of the Jews in the twentieth century culminates in this volume. Hitler's obsession with the Jews was the most extreme form of "redemptive" anti-Semitism, different from (albeit related to) classical Christian anti-Semitism. It was "born from the fear of racial degeneration and the religious belief in redemption," defined as liberation from the Jews, "as their expulsion, possibly their annihilation." Hitler was a fanatic, but also a tactician who knew how to combine prudence with sudden and devastating decisiveness. Friedländer provides both a macroscopic view and many telling individual stories. He shows how the moves toward economic "aryanization" and expulsion from many sectors of life accelerated as of 1936, how segregation led to a policy of expulsion and, after the Kristallnacht of November 1938, of official approval of violence. He points out that persecution was worse in Austria, after the Anschluss.

He describes not only the often surreally absurd and degrading hatred shown by the Nazi legislation but also the general lack of opposition by the German churches, universities, and public. Even more striking is the behavior of Germany's neighbors and other countries. The expulsion of Polish Jews from Germany was ordered to preempt a Polish closure of the border to them. It was the Swiss who requested that all German Jews traveling to Switzerland have the letter "J" stamped on their passports. The British, not long before the war, closed off Jewish immigration into Palestine. On March 15, 1939, George Kennan said he did not want a "Jewish acquaintance who had worked many years for American interests" and had taken refuge in the Prague delegation, where Kennan had been posted that year, to kill himself there, "partly on general Anglo-Saxon principles and partly to preserve our home from this sort of unpleasantness." And yet, ever since 1936, Hitler had given a worldwide audience to his fear of Jewish power and plots, and in his speech before the Reichstag on January 30, 1939, he warned that "if the international Jewish financiers in and outside Europe should succeed in

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plunging the nations once more into a world war, then the result will [be] . . . the annihilation of the Jewish race in Europe!" Friedländer's sober account of the cries of the hyenas and the silence of the sheep stokes the reader's shame about what happened at that time, and at what has more recently happened in the Caribbean, central Africa, and the Balkans.

Hitler's Thirty Days to Power: January 1933. BY HENRY ASHBY TURNER, JR. Reading: Addison-Wesley, 1996, 255 pp. $25.00.

How did Hitler become Germany's chancellor on January 30, 1933, less than three months after the November 1932 elections in which Nazis lost 34 seats in the Reichstag and their popular vote fell to 33.1 percent from 37.3 percent the preceding July? There was nothing inevitable, Turner argues, about Hitler's rise to power. Kurt von Schleicher, the general turned politician who had advised President Hindenburg in June 1932 to appoint the right-wing Centrist Franz von Papen as successor to Chancellor Heinrich Brüning, had become von Papen's enemy and, on December 2, 1932, his successor. Hitler, who would not join any cabinet he did not head, then formed an alliance with von Papen in early January 1933. Schleicher entertained several illusions about "his ability to harness Hitler." He expected Hindenburg to grant him one more decree to dissolve the Reichstag, which was likely to deny him its confidence. When Hindenburg refused, he resigned, and, at von Papen's insistence, Hindenburg turned to Hitler. Turner recognizes that the key players in this intrigue owed their influence to militarism, the persistent prestige of the aristocracy, the lack of civilian control over the army, and the weakness of parliamentary democracy. Other historians might stress those factors more, remembering Montesquieu's warning: when states seem to collapse from one blow, there are deep reasons why that blow was sufficient.

The Dynamics of Conflict in Northern Ireland: Power, Conflict, and Emancipation. BY JOSEPH RUANE AND JENNIFER TODD. New York: Cambridge University Press, 1996, 365 pp. $59.95 (paper, $19.95).

The authors—a sociologist and a political scientist who teach in the Republic of Ireland—show that communal polarization in Northern Ireland began in the nineteenth century. They note the importance of the ideological aspects of the conflict and the erosion of Protestant power both culturally and economically, but they stress the fundamental economic inequality that still favors the Protestants, and Northern Ireland's integration into (and dependence on) the economy of the United Kingdom. They also explain how Britain's intervention has, in the past 30 years, led to Protestant decline. But they doubt that either Britain or the European Union (EU) can do much to provide a solution. The authors distinguish five overlapping "dimensions of difference": religion, ethnicity, colonialism, the distinction between civility and barbarism, and the distinction between nationalism and unionism.

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"Emancipation" would "involve a multistranded approach to moderate and differentiate the dimensions of difference, to undo the structure of dominance, dependence, and inequality and to weaken the forces producing communal polarization." One can only admire the seriousness and dispassionate analytic powers of the authors, but the 10 pages of prescription that follow more than 300 pages of lucid and scrupulous diagnosis are too vague to provide much guidance.

The Greek Paradox: Promise vs. Performance. EDITED BY GRAHAM T. ALLISON AND KALYPSO NICOLAÏDIS. Cambridge: MIT Press, 1997, 182 pp. $15.00 (paper).

Nicolaïdis explains in a crisp and comprehensive introduction that the "Greek paradox" is the gap between promise and potential on the one hand, performance and policies on the other. The problems include addiction to charismatic political figures, a bloated public sector and bureaucracy, a society manipulated by the state's spoils system, a vast budget deficit, a "closed system of privilege," and a foreign policy more concerned with Greek rights than with Greek long-term interests. These flaws have often made Greece unpopular within the EU, and its anti-Macedonian and pro-Serbian policies have put it at odds with many of its NATO allies. The contributors are "modernizers," who want Greece to become a full-fledged partner in European economic integration. As Elizabeth Prodromou notes, Greece's Orthodox religious tradition has hindered neither the country's democratization over the past two-and-a-half decades nor Greece's membership in NATO; the so-called "clash of civilizations" is irrelevant here, as Greek history is both Western and Orthodox. Greece's performance will be improved by the kinds of reforms Loukas Tsoukalis advocates in taxation, social security, the civil service, and the public sector, by a long-term and more imaginative approach to Turkey, and by efforts to create a more civic-minded civil society. Clearly, some of Greece's problems result from its geographical position and its troubled history. But others are very similar to those faced by other Mediterranean EU members.

The Council of Ministers. BY FIONA HAYES-RENSHAW AND HELEN WALLACE. New York: St. Martin's Press, 1997, 340 pp. $55.00 (paper, $19.95).

The European Council, whose powers are shared with other organs, has, according to the authors, developed a collective identity and blurred the distinction between intergovernmentalism and supranationality. But it is "reaching the limits of performance as an effective organ of collective action" as the number of members and controversial issues increases, and it suffers especially from a "legitimacy deficit." Poor coordination and slowness in reaching decisions are frequent; the lack of transparency "raises problems of trust." The authors list different scenarios for reform but are skeptical about their chances of success because "mechanical devices can[not] take the place of substantive agreement on policy means and ends or replace mutual trust as a necessary ingredient of sustainable consensus." This is a sober judgment, which the states

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currently engaged in the conference to reform the EU's institutions should ponder. Indeed, what emerges most forcefully from this analysis is the Byzantine nature of the institutional system. Some of the tables and boxes in the book are truly awesome—none more so than Box 2.2, on the voting rules in the council, and Figure 3.2, on the operation of the "Art. 113 committee," which supervises the European Commission's negotiations with third countries. Not to mention Box 10.2, on a "sample multi-issue proposal": for a directive to harmonize technical standards for dentists' drills.

Western Hemisphere

KENNETH MAXWELL

The Pan-American Dream: Do Latin America's Cultural Values Discourage True Partnership with the United States and Canada? BY LAWRENCE E. HARRISON. New York: BasicBooks, 1997, 288 pp. $25.00.

It is curious how culturalist interpretations of differential human development are back in vogue in the United States as the twentieth century ends, just as they were when the century began. The overt racism of the early years is absent in most of the discussions today, to be sure, but the overall interpretive thrust is old hat. The argument is that Anglo-Protestant culture encouraged thrift, education, merit, community, and work, whereas Catholic Iberian values and culture encouraged the opposite—sloth, corruption, backwardness, all the bad things that made Latin America stagnate while Anglo America grew. In other words, the more "they" become like "us," the better pan-Americanism and regional integration will work; unless of course "we" become more like "them," hence Harrison's worry about immigration from Latin America. He argues that the "melting pot is not working efficiently for Hispanic immigrants, and the United States confronts a serious political, economic, and social problem in the rapid growth of its Hispanic population." The essence of Harrison's message is warmly and unsurprisingly recommended by Samuel Huntington, who finds the book "deeply researched and persuasive." Persuasive it may be to those already persuaded, but deeply researched it is not. Over the past 20 years Howard Wiarda has argued a somewhat similar line in many well-documented studies on Spain, Portugal, and Latin America, for instance, but is nowhere acknowledged. And the same general argument has been advanced recently with more elegance by Claudio Veliz.

Harrison's prose is combative and laced with ad hominem assertions against those who have crossed him, particularly intellectuals: "bright, affluent, guilt-ridden utopian elitists who never quite grew up" and whose "excesses reverberate . . . in the drug epidemic." This certainly makes for one of the more provocative and interesting books on the region in recent years. But Harrison's anger makes one think that directing five U.S. Agency for International Development missions in Latin America between 1965 and 1981 must have been excruciatingly frustrating,

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and wonder why he did not tell Congress earlier that they were wasting taxpayers' money on his salary.

Iberia and Latin America: New Democracies, New Politics, New Models. BY HOWARD J. WIARDA. Lanham: Rowman & Littlefield, 1996, 152 pp. $52.20 (paper, $21.95).

Wiarda, a professor of political science at the University of Massachusetts and a long-time observer of Iberia and Latin America, gives a useful and concise introduction to the complex connection between their histories, cultures, and policies. While fully acknowledging and enumerating the profound changes that have occurred in all these societies, especially in Spain and Portugal over the past 20 years, he also raises important questions about the democratization process and its completeness. Wiarda argues here, as he has before, that it is essential to "recognize that Latin American politics is often a hodgepodge, a crazy quilt of democratic and not so democratic practices." And that although it is true that Latin America has a strong liberal, republican, and democratic tradition and set of constitutions, there is also a set of traditions that are authoritarian, elitist, organic-statist, patrimonial, and corporatist. Any realistic analysis of the region's future, Wiarda argues, must reckon with both.

Democratic Transitions in Central America. EDITED BY JORGE I. DOMÍNGUEZ AND MARC LINDENBERG. Gainesville: University Press of Florida, 1997, 210 pp. $49.95.

In this innovative book the editors turned to ten active political leaders from Central America for their own perspectives on the processes of democratization in which they were participants. It makes for fascinating reading. The cast includes a former president, a former defense minister, two finance ministers, and a Sandinista commander. In an introduction that is one of the best short synopses available of the current debate concerning democratization and its precise application to Guatemala, El Salvador, Nicaragua, and Panama, Domínguez observes that "in the early 1980s no one would have forecast that onetime leaders of the opposition would govern all four of these countries in the early 1990s. No one would have forecast that fair and competitive elections would become routine across the region. No one would have forecast that every military coup attempted since 1984 in this region would fail. No one would have forecast the end of the region's wars." This excellent book goes a long way toward explaining those achievements.

Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

Resurrection: The Struggle for a New Russia. BY DAVID REMNICK. New York: Random House, 1997, 352 pp. $35.00.

Remnick has an enormous advantage. He writes better than anyone else. His natural sense of personality and gifted pen allow him to conjure a reality

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through images. Sometimes these images are a finely drawn portrait, as of Vladimir Zhirinovsky or Alexander Solzhenitsyn or the new banking mogul Vladimir Gusinsky; sometimes they are the sights and sounds of history turning corners, as the days and hours preceding Yeltsin's 1993 decision to blow up the White House; and sometimes they are the convulsive mix of human and physical impressions present in a setting, such as contemporary Moscow. Humor adds to the effect. Having sought out Stalin's favorite painter, an initiative typical of his curiosity, he listens for a while. "I had not said much, and when Nalbandyan began dispensing his opinions of Jews (negative) and flying saucers (positive) I decided that it was probably time to go."

At moments Remnick writes as though his purpose is to explain the larger significance of Russia's post-1991 evolution. His greater accomplishment, however, is to draw the reader into a theater filled with detail, color, and humanity, as vivid as the original—and a whole lot clearer.

Down with Big Brother: The Fall of the Soviet Empire. BY MICHAEL DOBBS. New York: Alfred A. Knopf, 1997, 502 pp. $30.00.

Dobbs provides less a film of the Soviet empire's demise than a pictorial. That is, he conveys the story through a series of photos: from the revolt of Walesa and the Lenin Shipyard workers in Gdansk in 1980, where he reported for *The Washington Post,* to the foppish unraveling of the August 1991 putsch in Moscow. He chooses episodes—Mathias Rust, the German teenager, landing his single-engine plane in Red Square, Yeltsin in a Houston supermarket, the violence in Vilnius in January 1991—and builds from them a running account rather than an analytical history. These are not simply the reports he filed at the time, but, after much careful subsequent research, rich, fascinating pieces of history. He does not recount only Rust's stunt and its impact on the career of the man serving as minister of defense, but the comedy among defense officials vainly chasing the little plane and Gorbachev's entirely unamused reactions at the relevant Politburo meeting. And so he does for each of the other episodes.

Dissolution: The Crisis of Communism and the End of East Germany. BY CHARLES S. MAIER. Princeton: Princeton University Press, 1997, 376 pp. $29.95.

This is not a full history of the East German marionette, strings cut, that collapsed into a heap—the author's metaphor—but it is history in the full sense of the word. Maier does not just piece together the events leading to the breaching of the wall and the rush to reunification. He searches constantly for the meaning of this history, putting the revolution of 1989 in the context of Germany's earlier revolutions of 1848 and 1918, describing the emergence of East German civil society in the wrapping of eighteenth- and nineteenth-century thought, and reflecting on the deeper, almost philosophical reasons the New Forum, the liberal, admirable

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opposition force, faded instantly with the end of the regime.

Not that he fails to fill in the history. On the contrary, using many of the resources now open to a historian, he has traced in great detail the growing popular ferment, the regime's increasing disorientation and immobility, the steps by which it all came apart, and the role of Gorbachev and the Soviets. For this the book's value will endure; but for now, its other more immediate value is the help it provides in wrestling with the underlying questions: Was it inevitable? What were the historical paths not taken, and what difference might they have made? And hardest of all, did it have to happen when it happened?

On Ruins of Empire: Ethnicity and Nationalism in the Former Soviet Union. BY GEORGIY I. MIRSKY. Westport: Greenwood, 1997, 185 pp. $55.00.

Mirsky, a Russian and one of his country's ablest specialists on the Middle East, has lately turned his attention closer to home. His knowledge of Islamic cultures gives him a special advantage when touring the trouble in the Caucasus, including Chechnya, and Central Asia. He converts a career's worth of travel and lecturing there and in Ukraine, a detached and somewhat quizzical eye, and a recent but intense study of Western literature on ethnicity and nationalism into potent tools for separating real from improbable threats among all the tinder. But it is less his time in Western libraries than his sure and fair-minded finger-tip sense of peoples and circumstances that lends this succinct book its authority and utility.

War or Peace? Nationalism, Democracy, and American Foreign Policy in Post-Communist Europe. BY STEVEN L. BURG. New York: New York University Press, 1996, 258 pp. $35.00.

Like some visitor returned after a long absence, studies of nationalism, ethnicity, and conflict are everywhere, and nowhere more popular than among students of Eastern Europe and the former Soviet Union. As a result it grows increasingly difficult to say something original. Berg does, but by making nationalism the backdrop and the tasks facing the United States the point. Policy's lodestar, he argues, must be democratization, even ahead of economic reform. Headway toward democracy creates overarching impulses that check the mischievous effects of ethnic-based politics, justify the redrawing of borders, and make possible the coexistence of quite separate communities within the same larger political entity. Burg knows that progress toward democracy does not come easily, hence he has an elaborate notion of how the United States and other key European states should play their role, rethink the use of multilateral institutions, and commit themselves to what he calls "preventive engagement" in societies where the ingredients of trouble are all too plain. Difficult as democracy-building may be, however, getting the United States to embrace "preventive engagement" on anything close to an adequate basis, alas, may be considerably more so.

Central Europe: Enemies, Neighbors, Friends. BY LONNIE R. JOHNSON. New York: Oxford University Press, 1996, 339 pp. $30.00.

"Some of the problems Central Europeans have with themselves and with one an-

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other," writes the author, "are related to the fact that their history haunts them." To an American it may seem improbable that an event in 1415 would still resonate in the popular memory of Czechs, or that a battle lost in 1526 would still haunt Hungarians as the seminal tragedy of their history. Johnson has written this book to explain to a general Western audience why history matters so intensely to Central European countries, a cluster of states extending from Germany to Belarus.

He starts with Charlemagne and the tenth century and finishes with our own day, slighting none of the main periods in between. As he notes in his preface, his organizing interest is in "historical patterns of conflict, cohabitation, and cooperation in Central Europe," and, by keeping his eye on this target, he manages to make an enormous expanse of history accessible to the average reader in very few pages. There are not many books that set the historical context for this part of the world so well.

The Middle East

WILLIAM B. QUANDT

Spokesmen for the Despised: Fundamentalist Leaders of the Middle East. EDITED BY R. SCOTT APPLEBY. Chicago: University of Chicago Press, 1997, 429 pp. $55.00 (paper, $19.95).

This book is a useful guide to the varieties of fundamentalist thinking and practice in the Middle East. An outgrowth of the "Fundamentalism Project" at the University of Chicago, it compares a number of charismatic leaders who combine religious credentials and political ambition. Many scholars of Islamic movements have stopped using the word "fundamentalist" because of its historical connections with Protestantism, but here the authors define the term carefully as "the blending of traditional religion and its politicized, ideological defense." The case studies focus on a number of Muslim and Jewish leaders, and the editor tries to find some common points of analysis. For example, charismatic leaders may initially succeed in winning a following, but they then face the problem identified by Max Weber of trying to "routinize" their charismatic authority as they strive to build institutions. Followers may not want to settle down, and these movements may have a tendency to fragment into competing bands of zealots. Success for a fundamentalist leader in these circumstances can be both problematic and highly situational. In other words, politics is not much easier for fundamentalist leaders than for others.

Palestinian Identity: The Construction of Modern National Consciousness. BY RASHID KHALIDI. New York: Columbia University Press, 1997, 304 pp. $29.50.

Like many scholars these days, Khalidi rejects any notion of a fixed, unchanging Palestinian identity, arguing that all identities are "constructed," woven from multiple "narratives." In the late nineteenth century, most of those who lived

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in Palestine were simultaneously aware of themselves as Ottomans, Arabs, Muslims, or Christians, members of different extended families, and so forth. But already a sense of "Palestinianness" can be detected, and not only at the level of the elite. Indeed, Khalidi argues that the elite sometimes became aware of the specificity of Palestinian identity as poor peasants were forced from their land by arriving Zionist colonizers and became radicalized. Khalidi does not accept the view that Palestinian nationalism was merely a response to Zionism, but he does appreciate the importance of the intense struggle between them, which has made it particularly difficult to see Palestinian identity as distinct. The study is best in its analysis of the years leading up to the 1930s. It is a major contribution to historical understanding of Palestinian nationalism.

Refugees into Citizens: Palestinians and the End of the Arab-Israeli Conflict. BY DONNA E. ARZT. New York: Council on Foreign Relations Press, 1997, 232 pp. $18.95 (paper).

This study, which benefited from a working group at the Council on Foreign Relations, is less interested in sorting out historical rights and wrongs than in proposing possible solutions. The key argument is that Palestinians must acquire rights of citizenship if they are to abandon their irredentist claims. That citizenship should either be in a new Palestinian state, or in the states where they now reside. Arzt acknowledges that many Palestinians will not want to remain where they are, or will not be welcome to do so, as in Lebanon. She argues that Israel should take back a modest number, but that most will end up in Jordan and the new Palestinian state. She considers the option of dual citizenship for those who do not return to the new state, but this idea is not fully developed. The book assumes that a peace settlement will eventually be reached, and that the refugee issue will have to be part of it. Today that prospect is less certain than when the author wrote. But if and when the refugee claims are dealt with, many of the sensible suggestions in this book, if not the details, will be useful.

Iranian Intellectuals and the West: The Tormented Triumph of Nativism. BY MEHRZAD BOROUJERDI. Syracuse: Syracuse University Press, 1996, 256 pp. $45.00 (paper, $16.95).

For the past 40 years, at least, Iranian intellectuals have been struggling with the relationship between Western ideas and those of their own culture. Most have avoided the extremes of either full identification with the West or full retreat to "traditional" values. Instead, the majority found in the West ideas of struggle, resistance, self-assertion, and patriotism that they wedded to pride in their own culture to create a kind of "nativism." This was a congenial intellectual outlook for those who rejected the imperial pretensions of the West, and it was able to accommodate both populism and Islamism. The ideological matrix of the Iranian revolution owes much to the convergence of these latter two trends. The author does a fine job of highlighting the nuances of the debate among Iranian intellectuals and concludes that they fell victim to a kind

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of "Occidentalism" that reduced the West to a hostile "essence," much as "Orientalism" did to the East. He concludes with the hope that the nativist phase of intellectual development can be transcended as Iranians reassess their relationship to the rest of the world.

Notes from the Minefield: United States Intervention in Lebanon and the Middle East, 1945-1958. BY IRENE L. GENDZIER. New York: Columbia University Press, 1997, 470 pp. $39.95.

Until the recent American military intervention against Iraq in the Persian Gulf War, there had been no significant deployment of American military forces in the Middle East—with one exception. That exception was Lebanon in 1958. The conventional account of that episode has maintained that it had little to do with Lebanon per se. Instead, most analysts have argued that the American troops were sent in response to the revolution in Iraq in that year as a way of insuring that it would not sweep the entire region. The archives are now open, and Gendzier has examined the record in detail. She has produced a revisionist account that argues forcefully that American policy placed much more value on Lebanon as a base from which oil and other political interests could be protected. To this end, the United States became deeply involved in Lebanese internal affairs, propping up a conservative oligarchy that was willing to collaborate with the United States. In so doing, she argues, Washington contributed to the internal crisis that eventually led to civil war. A hard-headed realist will not be surprised by her assertion that American policy in Lebanon was driven by national interest rather than concern for Lebanese democracy. Nor will a realist be shocked by the revelation that the United States and Britain were rivals as well as allies. Gendzier's barely suppressed anger at American policy during this period seems rooted in a higher-minded notion that the United States should have promoted democracy and social justice in Lebanon and been less greedy in pursuing its material interests. She implies that the United States bears a heavy responsibility for the civil wars of both 1958 and 1975. These are serious charges, and the book cannot be dismissed as an ideological tract. It is carefully researched and uncovers much new information. One can read the book, however, and still feel that Lebanon was not really so central to American policy in the region. It was more than sideshow, but less than main attraction.

Faces of Lebanon: Sects, Wars, and Global Extensions. BY WILLIAM HARRIS. Princeton: Markus Wiener, 1997, 354 pp. $39.95 (paper, $16.95).

Lebanon may now be slowly rebuilding from its long civil war, but the words "Beirut" and "Lebanonization" will live on for some time as ways of describing an extreme form of sectarian and ethnic conflict. This attempt to unscramble the Lebanese puzzle places considerable importance on the misfit between state and society, the sectarian structures that were reinforced by the political system, and the unfortunate role of outside interven-

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tion. The author seems to believe that the current political system emerging from the Taif Agreement of 1989 will once again buttress the sectarian structure of politics that led to the last civil war. Such an outcome, he indicates, might have been avoided if the heavy Syrian hand could have been removed from Lebanese political life. It is not clear, however, that there was a missed opportunity to end foreign intervention. This account is often more journalistic than scholarly and has the virtues and limitations of such an approach.

Asia and the Pacific

DONALD ZAGORIA

The Coming Conflict with China. BY RICHARD BERNSTEIN AND ROSS H. MUNRO. New York: Alfred A. Knopf, 1997, 245 pp. $23.00.

Among those specialists who follow U.S.-China relations, there is a range of views. Some are optimistic; others see at least a 50 percent chance of developing a more cooperative relationship with China. The authors of this book are extreme pessimists. Their thesis is that the United States and China are on a collision course. China's goal is to dominate Asia, and America's goal for more than a century has been to prevent any single power from dominating Asia. China is "virulently anti-American" and has a "grand plan for the future." Thus "an enemy looms on the Eastern horizon and America had better be prepared."

To be sure, this pessimistic version of U.S.-China relations is one possible future scenario. But it overlooks the common interests that both the United States and China have in maintaining regional peace in Asia, in increasing trade and investment relations, and in preventing a new Cold War that would be extremely costly and risky for both countries. Moreover, although the U.S.-China relationship was in free fall for a number of years after the Tiananmen massacre in 1989, it has improved considerably in the past year as a result of efforts on both sides. In the next year, there will be a number of high-level visits, and there is at least some chance that the two big powers can reach some strategic understanding on the main issues that divide them: Taiwan, the U.S.-Japan alliance, proliferation, and human rights.

This book is reminiscent of a number of those dealing with Japan-U.S. relations that appeared in the 1980s. The argument then was that Japan and the United States were on a collision course because of Japan's intention to dominate Asia economically. Ten years later, it seems clear that those books were highly oversimplified. It is unfortunate. A more nuanced warning about the risks in U.S.-China relations and the ways to avoid a worst-case outcome would surely be welcome. So would a book with a less sensational title. But, of course, it might not sell as well.

Greater China and U.S. Foreign Policy: The Choice between Confrontation and Mutual Respect. EDITED BY THOMAS A. METZGER AND RAMON H. MYERS. Stanford: Hoover Institution Press, 1996, 124 pp. $16.95 (paper).

A prominent group of American China specialists warns against a "containment" policy toward China. The American

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public is unwilling to bear the burden of a strong foreign policy. China has the capacity to inflict considerable harm on a variety of U.S. national interests. And "given some hopeful tendencies today alive in China," engagement could encourage China's leaders to "follow the international norms" of "the United States and its allies." Metzger, a widely respected China historian, argues that "perestroika" (economic and social reform) should be given priority over "glasnost" (political freedom). An impressive social science literature shows that there are "social requisites of democracy" such as levels of per capita income, urbanization, and literacy, and that, "pressing for immediate democratization is not . . . the most effective way to democratize in all cases." Moreover, in some cases nondemocratic, authoritarian rule may be morally justified to maintain stability. And the "Chinese democracy movement" does not criticize the PRC government in a balanced way, has not developed a practical alternative to the present regime, and is highly utopian—as is evident from its failure to appreciate the importance of the Taiwan experience.

The Taiwan-China Connection: Democracy and Development across the Taiwan Straits. BY TSE-KANG LENG. Boulder: WestviewPress, 1996, 157 pp. $59.00 (paper, $16.95).

A Taiwanese academic explains how, despite the Taiwan government's efforts to restrict trade with the Chinese mainland, the Taiwanese business community has pressed ahead. As a result, Taiwan's economic dependence on the Chinese market for its exports has far surpassed the government-set "warning line" of 10 percent. More than 20 percent of Taiwan's total exports are now going to China, and the figure is rising. Meanwhile the Taiwan government is caught in a dilemma. To cool trade relations with China risks slowing economic growth. Not to restrain such trade risks national security and makes Taiwan increasingly vulnerable politically to Beijing.

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Meanwhile, the PRC is trying to attract Taiwanese trade and investment to the mainland for political reasons by bestowing all kinds of inducements and favors on Taiwan's business community. This is a very valuable study that neatly captures the dilemma facing Taiwan's political leaders and accurately depicts Beijing's economic strategy for countering Taiwan's drive toward de facto independence.

China in the Information Age: Telecommunications and the Dilemmas of Reform. BY MILTON MUELLER AND SIZIANG TAN. Westport: Praeger, 1997, 165 pp. $49.95 (paper, $16.95).

This is a detailed, informative account of the rapid modernization of China's telecommunications industry by two communications specialists. Unfortunately, and not unexpectedly, its political judgments are crude. China has installed more than 73 million phone lines in the last 5 years. This is more than the rest of the developing world combined. More than 84 percent of China's long distance networks are digitalized. Some 19 of China's provinces are now linked by 4,000 digital satellite communications circuits. And although 75 percent of China's rural villages still had no phone service in 1995, 500,000 villages are scheduled to be served by low-cost satellite communications networks soon. Although cellular phone service is still in its infancy in China, by the spring of 1996, it was already among the five largest markets in the world, with 4.7 million subscribers. There will be 18 million subscribers by the end of the century. To conclude, as the authors do, that these developments will not undermine China's political system and that China will remain a "communist" dictatorship, is probably true but beside the point. The real question is how the information revolution will influence Chinese society and politics when the regime can no longer monopolize sources of information.

Opening to Reform? An Analysis of China's Revised Criminal Procedure Law. BY JONATHAN HECHT. New York: Lawyers Committee for Human Rights, 1996, 87 pp. $12.00 (paper).

This fascinating analysis argues that China has at last begun to "reorient its basic approach to criminal justice away from a dominant preoccupation with social control toward a somewhat greater concern for the protection of defendants' rights." In March 1996, China's National People's Congress approved sweeping changes in the country's Criminal Procedure Law, which may result in better protection of defendants' rights in pretrial detention, the right to counsel, prosecutorial determination of guilt, and trial proceedings. The Chinese bar has rapidly grown, so that by the mid-1990s, the number of lawyers in China was approaching 100,000, focusing greater attention on the role of defense counsel. A survey of both the popular press and specialized legal journals indicates broad resentment against such abuses of basic rights as arbitrary detention. The report shows too how foreign criticism has influenced the domestic debate on criminal justice, particularly after China gradually became more engaged in international human rights diplomacy, joining the U.N. Human Rights Commission and acceding to treaties such as the Convention against Torture. In

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1990, the Communist Party lifted its informal ban on domestic research and publications on human rights, and since 1990 China has experienced an "unprecedented upsurge" in such publications. Nonetheless, China remains an authoritarian regime and, as this admirably balanced report indicates, as of 1995, 99.65 percent of the people tried for criminal offenses were found guilty.

Africa

GAIL M. GERHART

Sovereignty as Responsibility: Conflict Management in Africa. BY FRANCIS M. DENG ET AL. Brookings: Washington, 1996, 265 pp. $42.95 (paper, $18.95).

In the new world order, should the community of nations continue to adhere to the old principle of nonintervention in the internal affairs of sovereign states so long as their domestic policies do not constitute a "threat to international peace"? Not if the world recognizes, as these authors argue it should, that sovereignty carries responsibility to fulfill a social contract in which the legitimacy of rulers derives from their efforts to promote the welfare and dignity of all their citizens. Predatory or incompetent states that fail to discharge this duty must accept the right of other countries or international bodies to intervene to resolve conflicts and rescue victim populations from disaster. To help nudge international opinion closer to an acceptance of sovereignty as conditional, this study, drawing examples from Africa, lucidly sets out a framework of concepts and arguments to show how states can prevent, manage, and resolve conflicts that threaten their legitimacy, as well as how international and regional organizations can work to promote norms of responsibility within and among states.

Behind the Red Line: Political Repression in Sudan. New York: Human Rights Watch, 1996, 343 pp. $12.00 (paper).

Beset by Contradictions: Islamization, Legal Reform, and Human Rights in Sudan. New York: Lawyers Committee for Human Rights, 1996, 98 pp. $12.00 (paper).

Facing Genocide: The Nuba of Sudan. London: African Rights, 1995, 344 pp. $14.95 (paper).

Since coming to power in a coup in 1989, the regime of Lieutenant-General Omar al-Bashir has consolidated its power in Sudan through systematic detentions, abductions, torture, executions, "special" courts that bypass due process, and a security apparatus that operates outside the law with impunity. Declaring its purposes synonymous with the will of God, the regime has ruthlessly restricted rights to free expression, association, assembly, and religion, while carrying out an ambitious program to remake the country—one of Africa's most ethnically diverse—into a homogeneous, Arabized state ruled by an extremist version of Islamic law. To this end, Bashir has declared the ongoing war against southern insurgents a jihad and is pursuing a ten-year campaign of forced Islamization, pillage, rape, and murder against the people of the Nuba Mountains in cen-

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tral Sudan, where allies of the regime covet scarce arable land.

Each of these reports issued by human rights organizations takes a different angle. Human Rights Watch offers a broad overview of the regime's human rights record, explaining in painstaking detail how its policies violate international norms of law and justice. The Lawyers Committee for Human Rights focuses more narrowly on the Sudanese legal system and in particular on how criminal justice, the judiciary, and the legal profession have been affected by the regime's flagrantly political manipulation of Islam to reinforce its despotic rule. African Rights looks at the campaign against the Nuba, who are now threatened with cultural extinction. Politically allied to southern secessionism but geographically separated from the southern heartland, the Nuba are facing Khartoum's onslaught alone as the international community averts its eyes, lest an acknowledgment that this is genocide entail an obligation to act.

Orphan of the Cold War: The Inside Story of the Angolan Peace Process, 1992–3. BY MARGARET JOAN ANSTEE. New York: St. Martin's Press, 1996, 566 pp. $45.00.

This is an important book about the "dos" and "don'ts" of U.N. peacekeeping. Although South Africa agreed in December 1988 to remove its forces from Angola in exchange for a Cuban troop withdrawal, and the United States and the Soviet Union likewise agreed to end their military support for Angola's warring parties, the country's devastating civil war raged on until the signing of the Portuguese-brokered Bicesse Accords in May 1991. In February 1992, veteran U.N. undersecretary Anstee was named head of the U.N. Angola Verification Mission, a low-budget operation charged with a limited mandate: to observe and verify whether the multiparty election carried out under the terms of the Bicesse Accords was "free and fair." The situation was fraught with political, bureaucratic, and logistical difficulties, but nobody could argue after ploughing through this meticulously narrated account that Anstee did not give it her best shot. The cards in her hand were weak because of the ill-designed terms of the Bicesse Accords, the determination of UNITA's Jonas Savimbi not to accept electoral defeat under any circumstances, and the loss of interest in Angola among key players on the U.N. Security Council following the Cold War. Thus, although the operation (the September 1992 election) was a success, the patient (Angola's people) went on dying through another season of blood while Anstee, defeated and blamed by some for the debacle, moved on. Thanks to Anstee's gifts as a raconteur, the book, despite its dismal subject, is a very enjoyable read.

The Egalitarian Moment: Asia and Africa 1950–1980. BY D. A. LOW. New York: Cambridge University Press, 1996, 131 pp. $44.95.

One theme is explored in this lively series of lectures by a noted British historian: the near-universal failure of African and Asian political reformers in the third quarter of the twentieth century to implement programs of rural egalitarianism. Inspired to one degree or another by the rapid modernization of the Soviet Union

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under Stalin, or by the desire to end or preempt landlordism of all kinds, reformers from India to Tanzania, Indonesia to Iran, Egypt to Ethiopia set out to equalize and in some cases collectivize peasant farmers, only to end up instead, almost everywhere, with markedly stratified rural societies dominated by an upper strata of relatively large farmers on whom the would-be reformers and their successors had become dependent for vital political support. Though stronger drawing out the historical similarities between the 14 countries examined than probing the deeper economic and political forces at work, this pithy little book bodes fair to become a classic among Third World studies.

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Letters to the Editor

Serge Schmemann & Albert L. Weeks on Russia, Ian Lustick on partition, and others

SAME AS IT EVER WAS?

To the Editor:

I was very much taken with David Remnick's conclusion that "there seems no reason why Russia cannot break with its absolutist past," especially after he lists every reason why it never has ("Can Russia Change?" January/February 1997). He writes of Yeltsin representing the "exhaustion of promise," of the ruling oligarchy merging with the mafia, of an absence of moral authority, of a history of absolutism and a habit of xenophobia, and yet he declares that "a new era has begun."

Like Remnick and others who have lived in Moscow and ardently want to believe that Russia can break with its past, I too persist in seeing signs that Russia has a chance. The problem is that there is really no analogy for what is happening in Russia, and the only partial guide is Russia's own history, in which a progression of despots sought to achieve the international power they saw as the country's due by mercilessly bullying and battering the nation until they lost the people. After succumbing to anarchy, the exhausted nation succumbed to a new despot, and the cycle started anew.

The first wave of reformers to emerge after communist rule hoped that a forced decentralization of political and economic power would break that cycle and block the rise of a new despot. Unfortunately, neither in Remnick's survey nor from what I saw during a recent visit to Moscow do I find compelling evidence that this devolution has happened. True, the changes that have taken place since 1991 are remarkable. Moscow is stunningly restored, the arts are flourishing, people have left behind many of their old fears, and contact with the rest of the world is open and free. Yet there is no effective government, no democracy, no resistance to the criminal monopolies that run the economy, and no real longing for an effective rule of law. The two candidates most likely to succeed Yeltsin, General Aleksandr Lebed and Yuri Luzhkov, mayor of Moscow, may possess many desirable leadership qualities, but what Russians seem to like best about them is the size of their fists.

Yet Russia is not undeveloped, just sorely misdeveloped. Throughout its history, the failure to achieve just government has been offset by extraordinary creativity in the arts and sciences and a remarkable capacity for survival. Surely Marx was right, and there must be a synthesis somewhere down the line.

SERGE SCHMEMANN

Jerusalem Bureau Chief, The New York Times

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To the Editor:

Remnick says he is sure Russia will change for the better and evolve toward democracy. Yet this is by no means certain, as Soviet dissident Aleksandr Solzhenitsyn, now living in Russia, made convincingly clear in an op-ed in the January 4, 1997, *New York Times*. Aside from the undemocratic institutions that Solzhenitsyn mentions, underlying Russia's political system is the decidedly authoritarian "Yeltsin constitution," which has rightly been called a document better suited to Napoleon III than to Charles de Gaulle or even Augusto Pinochet. Nor do amendments to the constitution that the Russian parliament is now discussing sound like much of an improvement on the flawed original.

In truth, Russia may never attain democracy—at least not in a recognizable French, Italian, British, Japanese, or American form. On the contrary, Russia is remaining stubbornly true to its authoritarian traditions. The Russian government will continue to make domestic and foreign policy without the people's participation and to foist executive decisions on a largely powerless and apolitical population. This prospect gives no peace of mind to Russia's neighbors and potential enemies, who fear that any form of authoritarianism or autocracy gives Russian rulers a free hand. This concern, after all, underlies the zeal with which at least three Eastern and Central European states have sought to join NATO.

In his optimism about Russia's democratic future, Remnick ignores Russia's incredibly dismal economic circumstances. Western history suggests that democracy can take root only under conditions of free enterprise and economic growth—growth, incidentally, that is free of widespread corruption and criminality, rampant distrust, and unmitigated despair. In 1996 the Russian GDP dropped six percent, continuing a steady, prolonged decline. Production of coal and oil, Russia's classic sources of revenue, also fell. Tax evasion has become an art form. Russia's national debt and foreign indebtedness are growing astronomically. Even Yevgeniy Yasin, until recently Russia's economic minister, has said that the economy is in a state of monetary "deterioration."

Russian society, the foundation for democratic development, is critically unbalanced and unstable. The gap between rich and poor continues to widen. Russia's embryonic, slow-growing middle class has not begun to approach the size or wealth of Western middle classes. Twenty-five percent of the population lives below the poverty line, while 50 percent fall in the low-income category. The Russian rich, totaling 8 percent of the population, have a minimum monthly average income of 1.9 million rubles (about $40,000). And there is simply no sign that these sharp nouveaux riches peaks are leveling off or that Russian society in general has "settled down."

Remnick claims that in its current relations with the United States, "Russia is no longer an enemy or anything resembling one." There are, in fact, several major conflicts of interest between the United States and Russia, both military and geopolitical, as Russian foreign policy analysts themselves have openly

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recognized. NATO enlargement, nuclear arms reduction, the newly formed Sino-Russian alliance, and arms sales to Iran are among the cardinal differences.

Finally, in the matter of Russian leadership, Remnick rightly observes that Lebed is the most popular politician in Russia and the most likely successor to Yeltsin. But he adds that "what sort of president he would be is unknown." This is exactly what should be pondered and investigated.

ALBERT L. WEEKS
Professor Emeritus, New York University

LONG DIVISION

To the Editor:

Partition doesn't work, writes Radha Kumar, citing Palestine, Ireland, Cyprus, India, and Bosnia; it usually leaves minorities trapped within the smaller states it creates and more often than not is the occasion for external powers to abandon unwelcome commitments ("The Troubled History of Partition," January/February 1997).

This is true, but a peculiar basis for a general argument against partition. Although the imperfections associated with even the smoothest partition arrangements (Czechoslovakia's "velvet divorce," for example) are undeniable, the burden of proof must be on the shoulders of anyone who would argue that the history of Palestine, Ireland, India, or Bosnia would make for more pleasant reading had some other form of agreement been implemented. In politics, as in life, difficult problems are not solved; they are traded for other, hopefully better problems. But Kumar implies that if problems arise in the aftermath of a political choice, that choice must have been wrong.

Her selection of cases indicates how careful she had to be to give the impression that partition invariably leads to disaster. Certainly the partition of Ireland in 1921 gave rise to continuing troubles, but how much greater might those troubles have been had the United Kingdom not accepted its own partition, into Irish and British states, after more than a century of active Irish secessionism? However bloody the history of Palestine and Israel has been since partition was implemented in 1948, hopes for a peace now rest on the revival and gradual implementation of that principle. Nor should it be forgotten that the current peace process rests in part on the successful partition of Mandatory Palestine along the Jordan River nearly 50 years ago, a partition Kumar fails to mention, let alone criticize. Nor, for that matter, does she mention the effective partition of France in 1962, a decision that produced an independent Algeria and put an end to the Algerian War.

This last example, which involved the rejection of the partition of Algeria but acceptance of partition as an end to incorporation of Algeria into the French state, is a vivid reminder of certain facts about the world that Kumar's treatment obscures. No states are naturally or permanently constituted in particular shapes and sizes. No rule other than the acceptance of the sense of permanence and naturalness that successful partitions create can tell us which states are real, and not to be divided, and which are unreal, and appropriate for further partition. But because even that sense can change, any attempt to argue that partition is either universally bad or universally good should be

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understood as a political rather than an analytical exercise.

IAN S. LUSTICK

Professor of Political Science, University of Pennsylvania

JAPAN'S SETTING SUN

To the Editor:

It is true, as Michael Hirsh and E. Keith Henry report, that Japan's obsolete policies are forcing its most efficient companies offshore, a trend that is dragging down growth in Japan ("The Unraveling of Japan Inc.," March/April 1997). But even offshore, healthy companies cannot entirely escape the damage inflicted by Japan's protection of the inefficient. They still depend heavily on the domestic market and, given Japan's social contract, have to retain hosts of redundant workers. Their prosperity will ultimately require reform within Japan.

For that reform to succeed, trade must be liberalized. Japan's informal trade barriers stand at the heart of both its "dual economy" and its dysfunctional hybrid of super-strong export industries and super-weak domestic sectors.

The bright side of Japan's economy—exporters like the country's auto and electronics giants—is what Americans see and why Japan has maintained the image of an economic juggernaut. But most Japanese live and work in the other Japan—sectors that are too weak to export but are protected from imports. In food processing, for example, Japanese productivity is an astonishing one-third of U.S. performance, and losing ground. Yet far more people work in food processing than in the auto and steel industries combined.

The regulations and private collusion that keep Japan's domestic sectors so inefficient could not continue if foreign firms were free to seize markets. In Japan, as elsewhere, trade opening is thus required as the catalyst for broader reform. Sooner or later Japan's multinationals, in their own interest, will have to reckon with this reality.

RICHARD KATZ

New York Correspondent, Diamond Weekly Magazine of Japan

EAST MEETS WEST

To the Editor:

Bernard Lewis' argument that Kemal Atatürk of Turkey attested to the universality of Western values in the modern world is self-contradictory ("The West and the Middle East," January/February 1997).

Turkey is a success story. But Europeans resist acknowledging that success, instead denying Turkey full membership in the European Union. As a result, Turks are bewildered and Islamism is on the rise. Beyond Turkey's borders, the West's failure to recognize Turkey's success suggests to other Muslim countries that westernization is a delusion. Kemalism, which Lewis and others have admired, did not, unfortunately, lead to the universal civilization Atatürk anticipated. On the contrary, it seems to have led the Turks to a dead end. Furthermore, while Western norms are indeed currently dominant, that is neither a permanent nor a desirable state of affairs. Just as we appreciate biodiversity in the plant and animal kingdoms, shouldn't we rejoice and celebrate cultural diversity in the global family?

OZAY MEHMET

Professor of International Affairs, Norman Paterson School of International Affairs, Carleton University

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To the Editor:

Lewis draws a comparison between the slow pace of economic development in the Middle East and "booming" Asian nations considered underdeveloped not long ago. He states that in the area of science and technology, the "Middle East's contribution compares poorly with that of its non-Western contemporaries and, even more dramatically, with its own past." He then challenges Middle Easterners "to ask themselves . . . why their societies have fared so differently from those of South Asia, Southeast Asia, and the Far East."

That question can be answered by examining modernization in Egypt and Korea, two nations that, at the turn of the century, had underdeveloped agricultural economies and almost identical populations and acreage of cultivated land. The differences in their economic performance stem not only from the economic policies they pursued after becoming independent, but also from the policies that the colonial powers charted for them. Korea focused on economics, Egypt on Arab unity.

Admittedly, the Japanese occupation of Korea was heavy-handed compared with the relatively relaxed British rule in Egypt. Nevertheless, Korea achieved a remarkable rate of development. In agricultural production, the average annual rate of growth from 1910-12 to 1938-40 was 1.8 percent. In Egypt from 1913 to 1940, the rate was 0.7 percent. Even more astounding, Korea also had double-digit annual growth rates in manufacturing, averaging 10.4 percent over the same period. In comparison, Egypt's average annual growth rate in industrial employment from 1907 to 1937 was only 0.7 percent.

In human capital, Korea was also far ahead of Egypt. For example, when Japan left Korea in 1945, the latter's literacy rate was 25 percent. When Egypt signed the 1936 treaty granting its independence from Britain, its literacy rate was only 9 percent.

The post–World War II regimes in Egypt and South Korea followed different paths to raise living standards. The two most important leaders in the postwar era were General Park Chung Hee in Korea (1961-1979) and Colonel Gamal Abdel Nasser in Egypt (1952-70). Unlike his predecessor, Syngman Rhee, who was obsessed with uniting the two Koreas, Park focused mainly on economic matters, and is now considered the architect of the "miracle on the Han." As a young intelligence officer, he was trained in Manchuria by the Japanese and witnessed firsthand the workings of the Japanese *zaibatsu*, or commerical combines. Once he took office, Park used the *zaibatsu* model to create the giant *chaebols* that have become the cornerstone of the Korean economy.

Nasser, on the other hand, was mesmerized by the dream of Arab unity. Unlike Park, who cultivated good relations with a select group of trusted businessmen, the young Nasser did not have much respect for the private sector. His socialist policies (for example, his 1961 nationalization measures) frightened the local entrepreneurs. Their subsequent departure was a heavy blow to the Egyptian economy, largely because the country did not have the budding entrepreneurial class that Korea, for example, was able to cultivate during its colonial years.

Colonial heritage and private entrepreneurship have been major forces

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behind Asia's economic dynamism. Middle Eastern countries would do well to look more closely at the experiences of their Asian counterparts.

KHAIRY TOURK
Associate Professor of International Business, Illinois Institute of Technology

A FOOTNOTE TO PLATO

To the Editor:

According to Samuel P. Huntington, Orthodox countries like Greece are not Western and, since NATO's purpose should be to defend Western civilization, should be excluded from the Western alliance ("The West: Unique, Not Universal," November/December 1996). Huntington should consider that the elites of Greece are firmly Western, and have been since before the country's liberation from the Turks in 1829. The Greek education system is Western, and the Greek Orthodox church has less influence in Greece than some fundamentalist cults have in the United States. Huntington's assumption that Greece is somehow less Western because it is not Catholic ignores the fact that the two pillars of Catholicism are Saint Augustine, who famously plagiarized Plato, and Saint Thomas Aquinas, who plagiarized Aristotle.

If Athens has thrown a glance or two toward Russia since the collapse of the Soviet empire, it is because NATO has refused to give Greece a guarantee against Turkish territorial threats. The United States has afforded Turkey an overwhelming superiority over Greece in warplanes and tanks and refuses to sell Greece the weapons that would neutralize Turkish military superiority and make war unlikely. Russia sells such weapons.

What makes a people Western is not religion or language, but belief in the importance of the individual's vote in ruling a democracy, refusal to be taxed without the consent of an elected body, and the right to a trial by one's peers. These principles were established by Solon in 594 B.C. The Magna Carta, written in 1215 and alluded to by Huntington, mainly established the rights of nobles, to whom Western civilization no longer grants privilege before the law. If anything, Western civilization's common intellectual heritage stems from the Greeks; as Bertrand Russell once said, the whole of Western philosophy is a footnote to Plato.

PHILIPPE DEANE GIGANTES
Member, the Senate of Canada

MINCING WORDS

To the Editor:

In the event of a fragmented Canada, I do not "anticipate," as John Butcher claims, a role for the United States as "peacemaker, adjudicator, rule-maker, and police officer" ("Letters to the Editor," January/February 1997). On September 17, 1996, *The Canadian Press* printed a retraction of the same erroneous allegation, which had been made in a widely published commentary on my article. That retraction noted the two sentences that Butcher chose not to quote, wherein I specifically warn that the United States should not seek and could not perform such a role.

CHARLES F. DORAN
Andrew W. Mellon Professor of International Relations, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University

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GULF OF OPINION

To the Editor:

William J. Perry's reference to an "Arabian Gulf" is quite surprising and suspicious, not simply because it is an outright distortion of a geographic name—the Persian Gulf, documented as such since time immemorial—but because a high-ranking government official elected to make such a reference in defiance not only of his own government's long-established practice but also the policy and practice of the United Nations since its inception ("Defense in an Age of Hope," November/December 1996). To distort long-established names is to betray history. To date, all such attempts have failed.

M. HOSSEIN NOSRAT

Press Secretary, Permanent Mission of the Islamic Republic of Iran to the United Nations

Ball in his study in Princeton, 1990. Courtesy of *The Times*, Trenton, NJ. All rights reserved.

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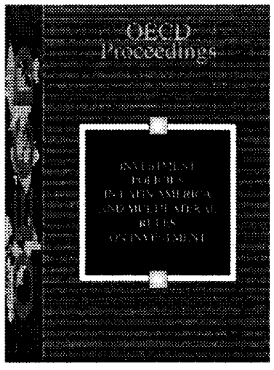

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The Marshall Plan and Its Legacy

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Editor's Note

The Marshall Plan—Then and Now

Winston Churchill called it "the most unsordid act in history." Joseph Stalin saw it as a ploy to spread American imperialism over a Europe devastated by war and—Moscow hoped and Washington feared—ripe for communism. Generations since have invoked the Marshall Plan like a mantra in the face of social and economic problems across the globe, from the Third World to the inner city.

Fifty years ago this June, George Marshall, chief of staff of the U.S. Army during World War II and then the civilian secretary of state, signaled America's willingness to help Europe rebuild itself. His 1947 Harvard commencement appearance had been arranged at the last moment; the language of his brief address was tentative and deceptively simple. Those who heard him that day can be excused for failing to recognize his speech as a defining moment at the dawn of the Cold War.

For this commemorative section, "The Marshall Plan and Its Legacy," *Foreign Affairs,* in association with the George C. Marshall Foundation of Lexington, Virginia, invited thoughtful reflections from a wide range of perspectives—from Americans and Europeans, from statesmen and policymakers active during the buoyant years of the plan, from biographers of its chief architects. Two respected younger historians, Diane Kunz of Yale and David Reynolds of Cambridge, present complementary assessments, drawing upon newly opened archives in the East as well as the West.

The American initiative is remembered for its altruism, but it was neither naïve nor devoid of self-interest. Indeed, even in Marshall's initial offer, this was clearly a policy to benefit the United States. Will Clayton, the businessman-diplomat credited with the idea, argued for it in light of "the needs and interests of the people of the United States—we need markets, big markets, in which to buy and sell."

But America's motives were geopolitical as well as economic. Marshall had insisted that the United States offer postwar reconstruction aid to the communist nations as well, but both he and President Truman had been assured by experts on Soviet policy, George Kennan among them, that Stalin would never accept "the full horror" of a multilateral recovery program the Kremlin could not control.

The Marshall Plan is no automatic formula to meet the challenges of today, but our authors identify lessons and guidelines from this unique and historic episode. Beyond its import for a specific time and place, here is a government aid program that worked, for the benefit of donors and recipients alike.

Peter Grose
Editor, Commemorative Section

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"Against Hunger, Poverty, Desperation and Chaos"

The Harvard Address

George C. Marshall

June 5, 1947

. . . The people of this country are distant from the troubled areas of the earth and it is hard for them to comprehend the plight and consequent reactions of the long-suffering peoples, and the effect of those reactions on their governments in connection with our efforts to promote peace in the world.

In considering the requirements for the rehabilitation of Europe the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy. For the past ten years conditions have been highly abnormal. The feverish preparation for war and the more feverish maintenance of the war effort engulfed all aspects of national economies. Machinery has fallen into disrepair or is entirely obsolete. Under the arbitrary and destructive Nazi rule, virtually every possible enterprise was geared into the German war machine. Long-standing commercial ties, private institutions, banks, insurance companies and shipping companies disappeared, through loss of capital, absorption through nationalization or by simple destruction. In many countries, confidence in the local currency has been severely shaken. . . The rehabilitation of the economic structure of Europe quite evidently will require a much longer time and greater effort than had been foreseen.

There is a phase of this matter which is both interesting and serious. The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labor is the basis of modern civilization. At the present time it is threatened with breakdown. The town and city industries are not producing adequate goods to exchange with the food-producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale which he desires to purchase. So the sale of his farm produce for money which he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock

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and finds for himself and his family an ample supply of food, however short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction. . .

The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social and political deterioration of a very grave character.

The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole. The manufacturer and the farmer throughout wide areas must be able and willing to exchange their products for currencies the continuing value of which is not open to question.

Aside from the demoralizing effect on the world at large and the possibilities of disturbances arising as a result of the desperation of the people concerned, the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace. Our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist. Such assistance, I am convinced, must not be on a piece-meal basis as various crises develop. Any assistance that this Government may render in the future should provide a cure rather than a mere palliative. . .

It is already evident that, before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of Europeans. The initiative, I think, must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. . .

An essential part of any successful action on the part of the United States is an understanding on the part of the people of America of the character of the problem and the remedies to be applied. Political passion and prejudice should have no part. With foresight, and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome.

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The Marshall Plan Reconsidered

A Complex of Motives

Diane B. Kunz

Fifty years ago this June, Secretary of State George Marshall offered unprecedented American assistance to the European countries that would together draft a blueprint for their economic recovery. Within ten months, this vague proposal, known as the Marshall Plan, became a detailed program and then law. Billions of American dollars and tons of American products flowed across the Atlantic over the next five years. As large crates bearing the label "European Recovery Program" (ERP) became familiar sights in Western Europe, the contemporary verdict on the Marshall Plan came in clearly: it was a grand success.

Historical scholarship usually follows the laws of physics: what goes up, must come down. New generations of historians challenge the interpretations of their predecessors and question the deeds of their forefathers, especially those that have received widespread praise. Complementing these trends, the end of the Cold War has forced scholars to rethink their views on the last half-century. But, except for some of the fine points regarding motives, operations, and outcomes, the Marshall Plan has largely been spared this revisionist fate. The collapse of the Soviet Union, the thaw of the Cold War, and geopolitics' return to the messy sordidness of history have only enhanced the importance of the Marshall Plan and the reputation of its American creators.

The Marshall Plan served as the economic and political foundation for the Western alliance that waged the Cold War. It allowed the United States gradually to engage itself in the bipolar confrontation by first committing money, not blood. After its initial subscription of dollars, the United States backed up its investment with military force, protecting Berlin against the Soviet blockade and forming the North Atlantic Treaty Organization, the first permanent military alliance in the nation's history. By providing the seed money for the recovery of Western Europe, the Marshall Plan transformed its beneficiaries from poverty cases into partners. During the quarter-

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century after 1948, Western Europe recorded its highest economic growth ever. This miraculous progress—indeed, the German recovery was known as the *wirtschaftwunder*, or economic miracle—muted the communist sirens on the eastern side of the Oder-Neisse line. Financial recovery and political stability went hand in hand. And military security soon followed: as the Americans came to see the Europeans as potential contributors to their own defense, Washington became increasingly committed to the alliance.

Thanks to the Marshall Plan, Western Europe could emulate the United States, giving its citizens butter for the good life while not stinting on the guns that would protect that prosperity. The United States and its team had the recipe; the Soviet Union and its Warsaw Pact partners did not, for they lacked the economic and political freedom needed to replicate the winning amalgam.

A WORLD MADE SAFE FOR CAPITALISM

What seems evident in retrospect—the need for American help to rebuild Europe—had not yet become clear at the turn of 1947. The worst winter in a century had paralyzed the continent. Shivering British officials worked in unheated offices as coal supplies piled up at mineheads. Railroad cars froze on tracks throughout Europe. General Lucius Clay, the U.S. military commander in occupied Germany, concluded that Germany's predicament was "truly appalling."

The international political situation was almost as dismal. Deadlocked Council of Ministers meetings ended any hope that the chasm between the United States and Britain, on the one hand, and the Soviet Union, on the other, could be bridged. In March President Truman took the enormous step of offering aid to Greece and Turkey to combat perceived communist subversion. "It must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures," he told a joint session of Congress. The influential Senator Arthur Vandenberg (R-Mich.) had advised the president to pull out all the stops, and that is exactly what Truman did. Congress authorized $250 million in aid for Greece and $150 million for Turkey. Yet legislators applauded enthusiastically only when Truman promised that these loans would promptly be repaid. The United States had appropriated nearly $20 billion for various foreign-aid programs in the two years since the end of World War II, and Congress and the American people had wearied of seeing their generosity seemingly squandered. But Truman realized that American national security (a term not yet in vogue) demanded an economically healthy Western Europe.

The United States had earlier underestimated the depth of the European crisis. During the war years, U.S. officials had devoted much thought to the design of the postwar economic rules of the game. Learning from the failures of Versailles, they outlined the financial and trade parameters that would guide American economic diplomacy and nurture a peaceful world. The result was the Bretton Woods agreements of July 1944, establishing the International Monetary Fund to supervise and maintain global financial relations and the International Bank for Reconstruction and Development, popularly called the World Bank, to offer large-scale capital

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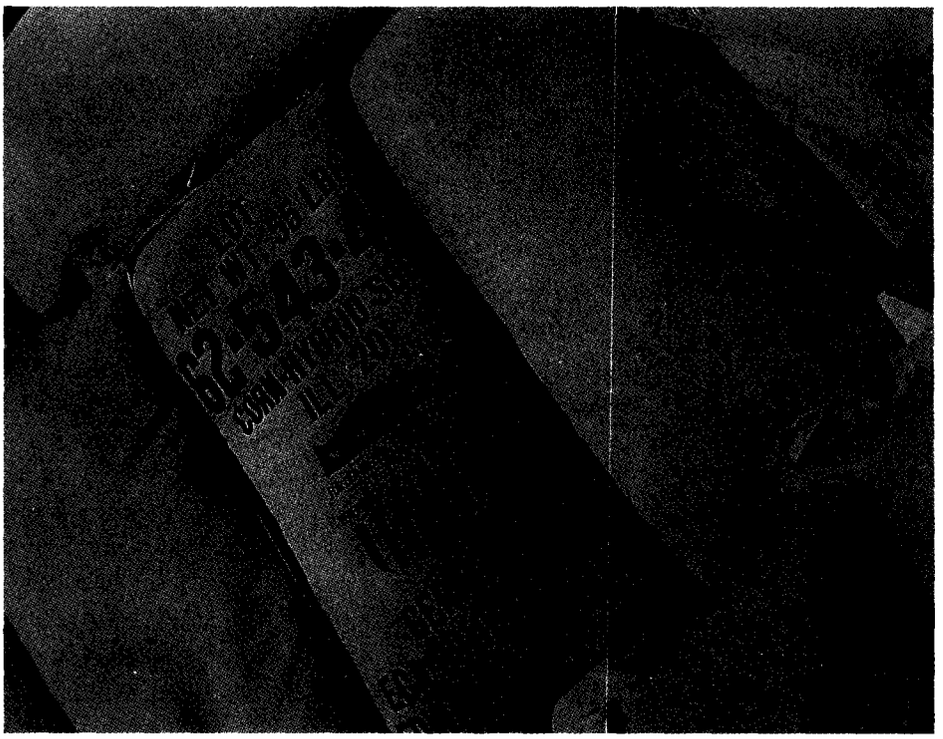

NATIONAL ARCHIVES

Feeding the Cold War: Marshall aid sparked Western Europe's recovery, but it also helped split the continent.

loans. The aim was laudable, but the institutions' funds were paltry. The IMF and World Bank received less than $20 billion between them to revive the international monetary system.[1] Britain's virtual bankruptcy in 1945 undermined the foundation on which the Bretton Woods institutions had been laid. Rather than start afresh, the Truman administration granted Britain a loan for $3.75 billion. Other stopgap credits followed.

Even as their postwar plans proved inadequate, American policymakers refused to examine the underlying assumption of their economic diplomacy: the international capitalist system was basically healthy, needing only a government jumpstart and some clear guidelines. But the European crisis of 1947 exploded that myth. American officials now accepted that direct U.S. government assistance was the answer. The New Deal had made America safe for capitalism; the Marshall Plan would do the same for Europe. Truman administration officials viewed relief and recovery as intertwined, and the Marshall Plan, with a longer-range vision than most other aid programs, was conceived with its own end in sight: it would help Western Europe rebuild the industrial base that was the key to European prosperity, eventually obviating the need for further American assistance. The first step was to remedy the "dollar gap"; Europe was desperately short of the dollars needed for the American raw materials and parts that would lay the groundwork for the continent's reconstruction.

Charitable considerations played a large role in the Marshall Plan, but

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strategic concerns were equally important. American officials worried about the leftward turn in European politics, from the pervasive socialist influence throughout Europe to the heavy communist inroads in France and Italy. No one in Washington in May 1947 feared the imminent arrival of Soviet tanks in Paris or Rome. But, as George Kennan's Policy Planning Staff had pointed out, "economic maladjustment . . . makes European society vulnerable to exploitation by any and all totalitarian movements." In other words, a hungry, suffering electorate might vote communist governments into power. The Marshall Plan, wrote Kennan in December 1947, would be an effective tool in the strategy of containment.[2]

American officials also believed skillful economic diplomacy would boost their international influence. Although the promise of assistance had failed to change the Soviet Union's behavior, they maintained their earlier conviction that economic aid could buy diplomatic success, particularly in blunting Moscow's threat and nurturing a United States of Europe. The merits of European integration had been debated on both sides of the Atlantic during the interwar years, and after 1945 American support for a united Europe intensified. The leading Republican spokesman on international affairs, John Foster Dulles, advocated "the reconstruction of Europe along federal lines and for the connection to it of a decentralized German confederation."[3] Dulles' speech highlighted a central benefit of European integration: it would provide a permanent basis for German recovery while assuaging French fears of the resurgence of German expansionism. Moreover, integration, first economic and then political, could cut the costs of Europe's recovery to the United States while creating ties among belligerent leaders that they would later find difficult to sever.

The Truman administration's grand design also accounts for the decision to extend the invitation to all European nations, including the Soviet Union and its clients. The State Department knew that Congress would never approve aid for Russia, and, despite American officials' general optimism about the utility of assistance as a means of influence, they no longer harbored any illusion that aid would change the course of Soviet diplomacy. As Charles Bohlen, a rising department expert on the Soviet Union, explained, "We gambled that the Soviets could not come in and therefore we could gain prestige by including all Europeans and let the Soviet Union bear the onus for withdrawing."[4] Fortunately for the administration, Stalin never called the bluff.

Domestic considerations played their part, too. In the beginning of 1947 economic indicators pointed to a slight recession in the United States. When news came of Europe's mounting troubles, State Department economists feared that if the recession coincided with a drop in European purchases, the ramifications for the domestic economy would be serious. Under Secretary for Economic Affairs William L. Clayton put it more bluntly: "Let us admit right off that our objective has as its background the needs and interests of the people of the United States. We need markets—big markets—in which to buy and sell."[5]

SELLING THE PLAN

To prepare the formal request for aid, the 16 European nations held nearly continu-

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ous meetings in Paris. The working group now had a name, the Committee of European Economic Cooperation (CEEC), and a chairman, the capable Sir Oliver Franks of Britain. Abandoning any lingering fiction of European autonomy, Clayton and Kennan, both at the peak of their influence, joined the discussions. The official report, delivered to the State Department on September 22, warned that disaster would strike Europe without American aid.

The report articulated four basic precepts and goals to guide the recovery program: a strong effort by the participating countries to help themselves and stimulate economic growth; the creation of financial stability within each of the states; maximum cooperation among the Europeans; and an export-growth solution to the countries' balance-of-trade deficit with the American continent. In delineating these fundamental principles, the CEEC gave American advocates of the Marshall Plan something definite to discuss, without committing the administration to a specific aid package. Truman responded by conferring with congressional leaders and asking the chairmen of the Senate and House Foreign Affairs and Appropriations Committees to gather their members and consider the CEEC proposal. Secretary of State Marshall and Under Secretary of State Robert Lovett offered another high-level briefing session on September 29.

In the beginning of October, the Soviet Union played an unwitting role in ensuring congressional approval of Marshall aid when Moscow, together with the national communist parties, issued a manifesto reviving the Comintern (renamed the Cominform), their international organization pledged to converting the world to communism. As general alarm spread, Lovett predicted that, without American aid, the nations of Western Europe "would go to the Soviet [Union]."[6] On October 23 Truman called a special session of Congress to convene on November 17.

Meanwhile, the administration had launched a public relations campaign to sell the plan to the American people and, through them, Congress. Although Gallup polls consistently reported that less than half of those questioned had heard of the Marshall Plan and only about one in seven could articulate its goals, the media portrayed the project favorably. Newspapers covered the September CEEC report in great depth, and many columnists raised the red flag of communism, the key to the administration's marketing strategy. Acheson, having resigned his post as under secretary of state in June and resumed his Washington law practice, became a leading force behind the campaign. He crisscrossed the United States, talking to any group that would listen, emphasizing whatever he had been told would play best: the economic benefit to the United States, America's humanitarian and moral responsibility, the importance of the United Nations, or the communist threat to Europe.

While *The Wall Street Journal* sniped at the Marshall Plan, the American Bar Association strongly supported it, urging its members to adopt a bipartisan attitude toward foreign policy. Americans for Democratic Action, a liberal group that was trying to distance itself from the far left wing, also lobbied energetically. Its secretary wrote Acheson that the ADA endorsement "differentiates us from all the phony liberals who talk

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about aid to Europe but back away the minute Russia makes clear its opposition to such action."[7] Many ADA chapters boasted significant membership among university faculty, and academics warmly endorsed the plan. The program drew backing from farmers' organizations as well: the expectation of higher profits over an extended period of time proved an irresistible lure even in the isolationist heartland.

By the autumn of 1947 the question in Congress was no longer whether to provide rehabilitation assistance, but how much and in what form. With the cooperation of the Republican leadership, Truman requested $2.6 billion in interim aid at the special November session. Vandenberg led the Senate Foreign Relations Committee in endorsing the bill unanimously and then guided Congress into passing an interim aid package that provided $522 million for France, Italy, and Austria as well as $18 million for China. But the State Department believed the interim aid bill had passed only because many members were holding their fire for the larger, long-range recovery program, and thus this small victory brought little cheer.

The administration continued its battle when Congress returned from its Christmas break. In hearings in January 1948, Marshall had the task of defending the $17 billion, four-year aid request. Both the size of the package and its multi-year authorization were unprecedented. A parade of notables urging enactment of the plan followed: Bernard Baruch, Allen and John Foster Dulles, H. J. Heinz II, James O'Neill, national commander of the American Legion, Walter Reuther, president of the United Auto Workers, and Hamilton Fish, who as a congressman had stood against the New Deal and for isolationism. Henry Wallace of the far-left Progressive Party stood out as one of the few dissenters, assailing the program as a step toward war.

In February a communist government took control in Czechoslovakia; supporters of the Marshall Plan did not hesitate to remind Congress and the public that a decade earlier the West had sold out that country to the Nazis. As Marshall informed the cabinet on March 5: "The strategic and political situation in Europe makes it imperative that the ERP legislation be enacted without crippling amendments."[8] After the communist coup in Czechoslovakia, even such holdouts as the isolationist Senator Robert Taft (R-Ohio) dropped their opposition to the Marshall Plan. On April 2 Congress lopsidedly passed the European Recovery Act. The next day, a proud president signed the legislation into law. The Marshall Plan was under way.

AID IN ACTION

The Marshall Plan legislation called for the creation of an Economic Cooperation Administration (ECA), separate from the Department of State. For this critical job Truman tapped Paul Hoffman, an automobile executive highly regarded by Republicans and Democrats alike. W. Averell Harriman became the ECA's ambassador to Europe, making himself at home in an elegant office on the Place de la Concorde in Paris, where he held court under a bust of Benjamin Franklin. A modest but all-powerful army—630 Americans and over 800 Europeans by the end of the program in 1953—served under these officers.[9]

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American aid came in several varieties: dollar grants, grants in kind, and loans. The total amount disbursed under the Marshall Plan from April 3, 1948, until June 30, 1951, when remaining aid was folded into the Mutual Defense Assistance Program, totaled some $12.5 billion.[10] The ECA allocated grants and loans according to each country's dollar balance-of-payments deficit. Britain received 23 percent of total Marshall aid, and 20 percent went to France (in each case before taking account of intra-European transfers). Overall, around one-third of ERP imports were agricultural, but imports of capital goods also proved crucial. Many of the aid dollars remained in the United States, as the secretary of agriculture had declared that surplus American agricultural products had to be purchased in the country; moreover, 25 percent of the total wheat or wheat products sent to Europe under the first ERP legislation had to be in the form of flour milled in the United States.

The American role in promoting Europe's recovery during these years extended far beyond the disbursement of aid. The ECA oversaw numerous projects, from the rebuilding of the Corinth canal by American contractors under the supervision of the Army Corps of Engineers to the modernization of mines in Turkey. In Trieste American technicians helped install U.S. equipment in an oil refinery. The ECA funded the Anglo-American Council on Productivity which, despite its name, sent businessmen from across Europe to the United States to study American production techniques. The ECA also had a small-business division which distributed information and held counseling sessions. However, most of the time ECA employees concentrated on logistical issues related to the assistance, conducting economic surveys of Europe's infrastructure, continuously reevaluating Europe's aid needs, managing agricultural shipments, and dealing with European officials. On a broader level, American officials attempted to shape European monetary and fiscal policy, especially in such areas as exchange rates and intra-European trade. The ECA had the responsibility of managing export controls to Eastern Europe and the Soviet Union, a cooperative Western policy designed to limit the flow of strategic goods to the communist bloc. The ECA also worked to acquire strategic materials for the United States.

Two contentious issues surrounded the operations from the start: the future of Germany and European economic integration. American officials saw German recovery as essential, but France and Britain still drained reparations from their zones of occupation. Not only did these outflows damage the German economy, but they undermined the Marshall Plan by making Germany, in effect, a conduit for American aid to Britain and France. Once again, the Soviet Union came to the rescue. In June 1948 Soviet forces blocked ground access to Berlin. Rather than allow the Soviets control over the former German capital, American and British aircraft supplied Berlin by air. The city became a symbol of Western resistance to Russian aggression, while the confrontation led both Britain and France to adopt more conciliatory positions on German recovery. By May 1949, when Stalin conceded defeat and the American, British, and French zones merged to become the Federal Republic

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of Germany, the reparations debate had faded in importance.[11] The communist challenge had spurred the triumph of the American position on Germany's future.

The second question, economic integration, had two dimensions. From the beginning American officials had believed that multilateral European arrangements were a prerequisite for the continent's economic recovery. A joint plan would eliminate duplication and waste, maximize intra-European trade and transfers, and increase efficiency. The more fundamental consideration was whether the ERP should set Western Europe on a path that would lead from integration to economic and/or political union. European unity appealed to Americans for several reasons, not the least of which was the conviction that Europe's best course was to imitate the United States as closely as possible. These ideas had featured in discussions prior to the ERP's enactment and became far more important once the Marshall Plan was under way. While France, the Benelux countries, and Italy embraced the idea, Britain remained aloof.

But on the strategic plane, a transatlantic unity was emerging. The threat to Europe increasingly demanded a military as well as economic response. In the opening months of 1948, U.S. and British policymakers independently aired the possibility of a security alliance between the United States and Europe. The result of these American and British initiatives, enshrined in a treaty signed in Washington on April 4, 1949, was the North Atlantic Treaty Organization.

A SUCCESS AT HOME AND ABROAD

Western Europe's economic recovery ensured that the Marshall Plan would become the model for future foreign-aid programs. While the ERP was in operation, Western Europe's aggregate GNP increased 32 percent, agricultural production jumped 11 percent over prewar levels, and industrial output exceeded the 1938 figure by 40 percent.[12] The Marshall Plan's success in keeping Western Europe out of the communist bloc convinced American planners that economic weapons could solve diplomatic problems. And this triumph blotted out the failure of American economic diplomacy to alter Soviet policy.

Fortunately, the fathers of the Marshall Plan had aimed their economic weapons at economic problems that were susceptible to an economic solution. Western Europe provided the ideal setting for the American approach. The governing structure, infrastructure, and skilled labor force were already in place. European governments lacked dollars and craved American support. The Marshall Plan filled both needs. But Averell Harriman, writing to presidential adviser Clark Clifford in 1953, warned "against undue preoccupation with economic concerns to the exclusion of others, and against the propensity of altogether too many people to think that if we solve the economic problem we automatically solve all others."[13]

American leaders, frightened by the specter of an encroaching communism, relied on economic diplomacy to an unprecedented extent in the effort to combat that threat. Indeed, the ERP remains a model for positive economic diplomacy. Because of American financial strength, the appropriations occasioned no domestic pain and even brought significant gain to certain industrial and agricultural sectors. Economic diplomacy benefited both the United States and Western Europe,

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foreign and domestic interests alike. Only the communist bloc, the target of American diplomacy, suffered.

The Marshall Plan was a limited investment that paid incalculable dividends. A situation favorable to American interests was established in Europe. The aid program raised Western Europe from its knees, launched the American challenge to the Soviet Union, and bolstered the American economy. This last point runs counter to the conventional economic wisdom: how could massive government expenditures be a net plus to the domestic economy? The experience of the Marshall Plan shows the answer. Investing to protect prosperity at home generated peace and prosperity abroad, which in turn led to still greater prosperity for the donor. When the vital interests of the United States seem to be at stake, the expenditure of American dollars for foreign aid can be amply justified. That was true at the time of the Marshall Plan, and it is still true today.

NOTES

[1]Randall Bennett Woods, *A Changing of the Guard: Anglo-American Relations, 1941-1946,* Chapel Hill: University of North Carolina Press, 1990, p. 143.

[2]PPS/1, May 23, 1947, in Anna Kasten Nelson, ed., *The State Department Policy Planning Staff Papers 1947-1949,* New York: Garland, 1983, vol. 1.

[3]Armin Rappaport, "The United States and European Integration: The First Phase," *Diplomatic History,* 5 (Spring 1981), p. 123.

[4]Bohlen oral history, Truman Library. In his own oral history for the Truman Library, George Kennan recalls that Marshall had asked for assurance that Russia would not participate; Kennan had argued that the demands of participation in a multilateral program—"the full horror of these alternatives"—would prove too much for the Soviet system.

[5]Scott Jackson, "Prologue to the Marshall Plan: The Origins of the American Commitment for a European Recovery Program," *Journal of American History,* 65 (March 1979), p. 1055.

[6]Cabinet Meeting, Oct. 10, 1947, in Matthew Connelly Papers, Box 2, Truman Library.

[7]Joseph Rauh to Acheson, Oct. 24, 1947, in Dean Acheson Papers, Box 3, Truman Library.

[8]State Department Summary of Telegrams, Feb. 25, 1948, in Naval Aide Files, Box 21, Truman Library.

[9]Hadley Arkes, *Bureaucracy, the Marshall Plan and the National Interest,* Princeton: Princeton University Press, 1972, pp. 141-42, 230, 279.

[10]Alan S. Milward, *The Reconstruction of Western Europe, 1945-51,* Berkeley: University of California Press, 1984, p. 94.

[11]The United States and Britain agreed to French control over the Saar and an international supervisory authority over the Ruhr. In exchange, France accepted the formation of the Federal Republic.

[12]Michael J. Hogan, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe,* Cambridge: Cambridge University Press, 1987, p. 431; Herman Van Der Wee, *Prosperity and Upheaval: The World Economy, 1945-1980,* London: Penguin, 1987, p. 44.

[13]Harriman to Marny and Clark Clifford, June 19, 1953, in W. Averell Harriman Papers, Box 338, Library of Congress.

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The European Response

Primacy of Politics

David Reynolds

"The initiative, I think, must come from Europe." That was the crux of George Marshall's speech at Harvard on June 5, 1947. Only if the Europeans helped themselves could the Truman administration persuade Congress and the American public that Europe was worth helping, and only a plan designed by Europeans for the rebuilding of their continent would promote Washington's larger goal of European integration while avoiding the impression that America had dictated the terms of the project. But who were the Europeans, and how should their problems and needs be defined? The transatlantic debate on these questions between 1947 and 1950 determined the shape and fate of Europe for half a century.

To appreciate the significance of the Marshall Plan, we must shed the assumption that the Cold War outlines of Europe were already clear in the immediate aftermath of the defeat of Hitler's Third Reich. Although Winston Churchill privately wrote of the "iron curtain" to Truman in May 1945 and popularized the term the following March in a speech at Westminster College in Fulton, Missouri, Europe was not yet irrevocably polarized. The whole continent had swung leftward, blurring any rigid ideological lines between the communist and capitalist worlds. The success of left-wing parties in postwar elections made clear that Europe's experiences in the depression of the 1930s and the war that followed had discredited capitalism as well as fascism. In Eastern Europe peasant and socialist parties cooperated with communists to redistribute land and bring heavy industry under government control. Further west, the Labour Party surged to power in Britain, social democrats predominated in Norway and Sweden, and center-left coalitions, including the communists who had been in the vanguard of wartime resistance, governed France, Italy, and Belgium. Europeans viewed the United States as the epitome of unreconstructed capitalism: in February 1946 Ernest

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Bevin, the British foreign secretary, spoke of Britain as "the last bastion of social democracy . . . against the red tooth and claw of American capitalism and the Communist dictatorship of Soviet Russia."[1] Western Europeans remained skeptical of American diplomacy, remembering how Woodrow Wilson's crusading internationalism had degenerated into economic nationalism and political isolation after the previous world war.

Many in Europe hankered after a "third force" strategy that would avoid close alignment with either of the new superpowers. American aid had been available after the war on a bilateral basis to countries ranging from France to Poland. But then came Marshall's promise of more comprehensive aid if "Europe" would define its collective needs, and the offer forced the Europeans to choose sides. Over the next month, critical decisions in Paris, London, and Moscow determined the geographical scope of the Marshall Plan—and the postwar cast of international politics.

DIVIDING THE CONTINENT

France was among Washington's principal anxieties. Essential commodities such as wheat could be purchased only from the United States, and the French lacked the dollar or gold reserves to acquire them. With the communists polling a quarter of the French vote, Washington feared that continued economic distress would play directly into Moscow's hands, and in May 1947 French Premier Paul Ramadier and Italian Prime Minister Alcide de Gasperi were both trying to construct new coalitions without the communists. Although Italy was in a similar situation to France both economically and politically, it was an underdeveloped former enemy, still striving to regain its sovereignty after the war. France, by contrast, remained among the most powerful nations in Europe and was one of the four occupiers of the defeated Germany. Any effort to help Europe recover from the devastation of the war would have to center around France and take account of its objectives and aspirations.

As after the First World War, France aimed to restrict Germany's recovery and divert its resources, particularly coal from the Ruhr and Saar regions, for the benefit of French industry. Yet Washington saw Germany's economic revival as vital to the health of Europe and was determined to overcome France's opposition. Resolving this deadlock would be a critical issue in the months ahead. But France also offered a more positive contribution to the recovery effort. Although the modernization plan approved by the French cabinet in January 1947 and named for its architect Jean Monnet was not entirely to America's liking, its bold concept of directing capital and resources to a few key sectors, like coal, electricity, and steel, paralleled thinking in Washington. A few days after his famous speech, Marshall noted that the program might be "somewhat along [the] lines [of the] Monnet Plan but on [a] much larger scale involving several countries."[2]

If not for British initiative and support, however, the Marshall Plan might not have come to fruition. It remains a hallowed British myth that only Foreign Secretary Bevin grasped the importance of Marshall's speech, primed not by his officials but by a BBC broadcast. In fact, the Foreign Office expected a novel, large-scale U.S. aid proposal and knew

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that steps toward integration of the Western European economies were likely to be required. But Whitehall did not take up the Harvard speech itself as urgently as did Bevin. Indeed, the speech was vague—deliberately so—but it had implied that specifics would follow in public or should be elicited in private. Bevin, however, was a former union leader with a healthy skepticism for protocol, and he swung into action the next morning. "I never asked him for particulars," he told the House of Commons on June 19. "I said to myself at once—and the Cabinet agreed immediately—'It is up to us to tell them what we want; it is up to us to produce the plan.'"

Bevin's rapid response had two important consequences. First, Britain took a leading role in the Marshall Plan right from the start. Marshall had left the boundaries of "Europe" undefined, and an earlier influential memo by George Kennan's Policy Planning Staff had implied that a plan for Britain's economic problems might be separate from, though linked with, the overall European program. Had the British taken the time to clarify Marshall's intent, the plan might have been shaped primarily by France. Second, Bevin's initiative strengthened the hand of those in Paris favoring a decisive French response. Although the French foreign minister, Georges Bidault, was ready to risk an open breach with Moscow, other policymakers, including Paul Ramadier and President Vincent Auriol, were more hesitant. While the Soviets continued to dangle the offer of a common punitive policy toward Germany, they feared that the acceptance of American aid might inflame the French left. Bevin's early involvement gave Bidault valuable support in the internal French struggle about whether to rely on the "Anglo-Saxons" who had failed them so conspicuously after the Great War.

France and Britain were both, therefore, at the head of the European reaction to Marshall's speech. Through prior leaks to their embassy in Washington, the French were at least as well prepared as the British, and Paris was the first to submit a formal proposal to the United States just eight days later. Although ready for consultation with London, Bidault was privately "not too happy" when Bevin made a public gesture by deciding to fly to Paris on June 17. The American ambassador in Paris told Marshall that "Bidault wanted to steal the show and Bevin beat him by a day or two."[3] Bevin's high-profile move helped ensure that when Under Secretary for Economic Affairs Will Clayton came to Europe in late June, his main talks were in London, not Paris.

Bidault extracted from Bevin two important concessions. First, the upcoming conference would be held in Paris rather than London, and second, any invitation to the rest of Europe would include the Soviets. Neither Bevin nor Bidault wanted Soviet participation, but the invitation was vital for French domestic politics; in return the British foreign secretary secured a firm commitment from his French counterpart that they would go ahead even if Moscow delayed or opposed their action. Despite their rivalry, Bevin and Bidault shared a determination to keep the recovery program in their hands. They envisaged a series of technical committees to deal with requirements such as transport, energy, and food, supervised by an executive committee controlled by

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their two countries. In this way they hoped to minimize the integrationist thrust of Marshall's speech and keep the smaller European states in line. In the months ahead, many battles would be fought along these two fronts.

THE VIEW FROM THE EAST

In June 1947, however, the overriding question was whether the Soviets would participate. Recently declassified documents indicate that Moscow attributed the Marshall Plan to America's need to extend credits to a dollar-less world so as to sell its surplus production.[4] This claim was often made, in non-Marxist language, in Britain and France as well, but Soviet analysts reckoned that America's underlying intent was political—to build on the rhetoric of the Truman Doctrine and establish an anti-Soviet Western European bloc. The Bevin-Bidault talks and Clayton's visit to London strengthened these suspicions. Nevertheless, Vyacheslav Molotov, the Soviet foreign minister, agreed to join Bidault and Bevin to discuss Marshall's offer. He arrived in Paris on June 27 with a delegation of around 100 officials, suggesting a readiness to talk seriously.

Molotov's brief, approved by Stalin, had three main themes: to ascertain the type and amount of aid, to avoid a Europe-wide program and instead secure assistance on a country-by-country basis, and, finally, to permit German involvement only if Soviet demands regarding Germany, particularly for reparations, were satisfied. Ironically, these basic aims were not dissimilar to those of France, which also wanted to maximize American aid, minimize the supranational framework, and exploit German resources as much as possible.

But the French and British were both closer to the United States and more dependent upon it. They decided to defend their interests from within any American plan, but Molotov terminated the discussions on July 2 when it became clear that the program still had no content and that the last two Soviet conditions would not be met. Bidault confessed his puzzlement at Soviet tactics. By walking out, he later said, Molotov "had chosen the only way to lose for sure."[5] Had he stayed, the Soviets might have extracted some economic aid or, more probably, ensured the plan's defeat in Congress. But such tactics would have required a combination of persuasive charm and subtle propaganda totally out of character for the man known in the West as "Mr. Nyet."

At the time, Moscow's policy, like Washington's, was in flux. In 1945-46 Stalin had probably hoped to advance Soviet interests without open conflict with the West. He understood the Yalta agreements to mean a free hand for him in Eastern Europe, and he was intent on securing a satisfactory German settlement. The Soviet Union, after all, had lost some 28 million in the war—over 14 percent of its 1939 population—compared with 350,000 British (.75 percent) dead and 300,000 Americans (.25 percent); its industry was still underdeveloped relative to the other Allies, and its civilian economy had been shattered. Stalin was not posturing when he told Marshall in April 1947 that the "United States and England might be willing to give up reparations; the Soviet Union could not."[6] He probably concluded from the Truman Doctrine and the deadlocked Four-Power Moscow conference that the rift between the superpowers was now unbridgeable.

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On July 4 Bidault and Bevin issued an invitation to all European governments (except Franco's Spain, which was ideologically beyond the pale) to convene in Paris to discuss Marshall's proposal. The Soviet Union had ruled itself out, but the position of the Eastern European states was unclear. Their coalition governments had been keen to participate, and in June Moscow had encouraged them to do so. As late as July 5, Molotov had told all Communist Party leaders in Eastern Europe to go to Paris, reject the American plan, and try to dissuade other delegations from participating. But just two days later, the signals from Moscow changed, and the Eastern European leaders were ordered not to go. In the interim, however, the Czech coalition government had publicly announced its intention to attend, as had the Poles in private. Late on July 9, Czech leaders met Stalin and Molotov at the Kremlin. This was not an abrupt summons (the meeting had been arranged on July 4), and Foreign Minister Jan Masaryk pressed his country's case hard, noting that two-thirds of the country's raw materials came from the West. But Stalin was adamant: "If you go to Paris, you will show that you want to cooperate in an action aimed at isolating the Soviet Union." The rest of Eastern Europe had rejected the invitation. "I believe that the sooner you do that, the better," added Stalin.[7] After stormy discussions the next day in Prague, the Czech government complied.

In the first week of July, Stalin had concluded that Marshall's initiative was aimed not merely at creating a Western bloc, but at detaching Eastern Europe from the Soviet sphere. Bevin himself had told Clayton that he thought the Marshall Plan was "the quickest way to break down the iron curtain."[8] Ironically, however, it was in July 1947 that the iron curtain fell irrevocably across Europe. Over the next few months Moscow whipped the national communist parties into line through the newly established Cominform and accelerated the Stalinization of the Eastern European economies to counter commercial dependence on the West. The Soviet response to Marshall's speech defined the geography of the Marshall Plan. Its content would now be decided by the United States and the countries of Western Europe.

A PLAN COMES TOGETHER

Delegates from 16 countries convened in the Grand Palais in Paris on July 12. In return for the venue, France accepted a British chairman, but Bevin himself stayed only to open the proceedings before leaving the working conference—renamed the Committee of European Economic Cooperation (CEEC)—in the hands of Oliver Franks, an academic turned wartime civil servant. His charge, to determine "European availabilities and requirements" for 1948-51 within six weeks, was a monumental task.

The State Department's premise was that a Europe-wide problem required a Europe-wide solution, yet, even without the Soviet Union and its satellites, the CEEC's diversity cast doubt on that assumption. The committee's "Western European" membership included Norway, Sweden, and even Iceland, out in the Atlantic to the northwest, as well as Greece and Turkey on the continent's southeastern flank. Five still had large colonial empires (Britain, France, Belgium, Portugal, and the Netherlands), one was under

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four-power occupation (Austria), and three were resolute neutrals (Sweden, Switzerland, and Ireland). Britain and France were both relatively rich, advanced economies, while, at the other end of the spectrum, Ireland, Greece, Turkey, and Portugal were backward and agrarian. Even Belgium, the Netherlands, and Luxembourg—which had agreed to form their own Benelux customs union—were not in the same boat: Belgium had been speedily liberated in 1944 and was exporting vigorously to its shattered neighbors, whereas the Netherlands had been a bloody battleground during the war's final winter and was presently engaged in a ruinous colonial war in the East Indies. Common problems, let alone common solutions, were hard to discern.

The main similarity was a shortage of dollars or gold to purchase vital imports from the United States, which in 1945 produced half the world's manufactured goods and held half its gold and currency reserves. Even that generalization needs qualification: Belgium's dollar gap was tolerable, and Norway's was not serious until September 1947. Moreover, the problem was not confined to the European continent but was global in scope, reflecting the vast economic imbalances in the wake of a war that had ravaged Europe and much of Asia while leaving the continental United States unscarred. Most CEEC countries saw America, not Europe, as the source of the problem: given its vast payments surplus, the United States, like Britain in the nineteenth century, had to provide credits to sell its goods. They resisted Washington's argument that the dollar gap was not the cause of Europe's difficulties, but rather a symptom of productive bottlenecks which called for American-style integration. As shown by programs like the Monnet Plan, they wished to arrange their own modernization without interference from the United States.

The British were particularly outspoken in resisting Washington's conditions, having had both the wartime lend-lease program and a 1945 loan encumbered with American requirements to move from regional to multilateral trade. They saw the British Commonwealth and the sterling area as the basis for their recovery, certainly not continental Europe with which British commerce was much less significant. Nevertheless, on July 15, 1947, the day the CEEC got down to details, Britain honored the terms of the 1945 loan and made sterling freely convertible into dollars. The result was a financial hemorrhage, stanched only when convertibility was ended on August 20, and a diplomatic crisis that overshadowed the CEEC's deliberations. Whitehall mismanagement was partly to blame, but the sterling crisis also strengthened Britain's aversion to what it deemed unrealistic and unfair American conditions for future aid.

Also plaguing the CEEC's work was the ghost at the feast. Germany, Europe's most important economy, was not represented in Paris. Moreover, any estimate of its needs and potential depended on political decisions still to be made about reparation scales, plant dismantling, and production levels. Although Bidault had told Marshall in April that "Germany is in the West, Germany constitutes part of Europe,"[9] he did not mean that France had abandoned its hopes of restricting Germany's recovery, especially through control of the Ruhr. "We have 180 Communists" in the National Assembly,

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Bidault warned, "who say, the Marshall Plan means Germany first." If they were not effectively contradicted, he claimed, "the government will not survive."[10] The CEEC could make no progress until the United States, Britain, and France had reached an accommodation on Germany. That August, the three agreed to an international authority to allocate the Ruhr's output of coal and steel, providing that France accepted higher production levels for German industry and promised to start negotiating the fusion of its occupation zone with those of Britain and America. The agreement was vague, but it was sufficient to allow the CEEC to move toward a conclusion.

A final complication was the smaller powers' resentment of British and French direction. Three—Italy, Norway, and the Netherlands—were represented on the executive committee through which Bevin and Bidault had hoped to exercise control. Their governments favored the American integrationist agenda as a way for the smaller powers to check the authority of the great. Italy, still an agrarian economy with a large labor surplus, wanted freer movement of manpower within Western Europe. It also had a strong economic interest in Germany's recovery, as did Belgium, the Netherlands, and Luxembourg, placing these countries in clear opposition to France. The Scandinavians were unhappy about making the CEEC into a permanent organization to manage Marshall aid and promote integration. Anxious to continue "bridge-building" with the East, they preferred using the Economic and Social Commission for Europe. Since the Soviets and their satellites had 6 of the 17 seats on that body, the idea was unacceptable to Britain, France, and the United States, but the Scandinavians kept pressing their point.

As these policy arguments impeded the CEEC's work, a lack of hard information on European "availabilities," let alone "requirements," made the committee's task still more demanding. It is difficult today to appreciate just how rudimentary was the knowledge of most postwar governments about the operation of their economies. National income accounting was still in its infancy, with wartime Britain and Norway among the pioneers, but even the British Treasury lacked its own planning staff or statistical unit until after the sterling crisis of 1947. Other countries were even less able to analyze their economies, let alone forecast their needs. The technical committees tried to help by forcing them to answer detailed questionnaires. These requested a vast range of data going back to 1929, as well as projections for the future. Sophisticated governments found the questions challenging; for the others, the task was pure guesswork. A British official, Eric Roll, remembered finding a Greek delegate still at his desk one night at 2 a.m., laboriously filling out the questionnaires. Roll told him that these should have been sent home. "You don't really think that anybody in Athens will know anything about this," the Greek official replied scornfully. "I can just invent the figures myself."[11]

Given the difficulties, it was remarkable that the CEEC achieved anything by its deadline. But its recommended figure, approximately $28 billion over four years, was far beyond what the State Department judged acceptable to Congress. Nor was Washington happy with the essentially national approach—what was termed

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"sixteen shopping lists"—rather than a coherent plan for mutual help and structural change. In early September the Americans pressed for a revised report, and the CEEC dug in its heels, prompting Clayton to storm out of one meeting. But both sides understood that any European aid program would have to be scaled back if it was to pass a Republican Congress suspicious of piecemeal handouts. After frantic negotiations, the figures were massaged down to $19.2 billion, and vague commitments were made to increase production, reduce trade barriers, and establish a continuing organization. The report was signed on September 22, 1947.

Although a CEEC delegation visited Washington in October, there was relatively little European input during the next phase of the Marshall Plan, which revolved around Capitol Hill. The preamble to the CEEC report had incorporated the significant Washington buzzwords; the report was "in no sense a 'shopping list'" but "an examination of what the participating countries can do for themselves and for each other to work towards a lasting solution"—in short, "the advent of a new stage of European economic cooperation." These ringing phrases, and not the more nebulous content of the report itself, shaped much of the American congressional and media comment. By Christmas Truman had secured an interim aid package of $522 million to help France, Italy, and Austria through March 1948. In France, the communist unions had now embarked on a wave of strikes to bring down the government, and the Italian communist party was bidding for power in the April 1948 elections. On December 19 the president sent a full-scale European Recovery Program (ERP) to the Hill, asking for $17 billion over the next four years. Congress insisted on annual appropriations, rather than a four-year package, and the new Economic Cooperation Administration (ECA) became an independent agency rather than an arm of the State Department. Events in Europe, notably the communist takeover in Czechoslovakia and the Italian election campaign, eased the bill's passage in Congress, and Truman signed the Economic Cooperation Act into law on April 3, 1948. A total of $5.3 billion was allocated to the ECA for its first year.

Two weeks later, the Christian Democrats won a clear majority in the Italian Chamber of Deputies, with 48.5 percent of the popular vote. The Socialist-Communist Popular Front slipped to 30 percent, as the right and the Vatican—not to mention the newly established Central Intelligence Agency—whipped up fear of a communist takeover. But the prospect of Marshall aid was also a powerful inducement. A month before, Marshall had publicly stated that if Italians elected a government hostile to the ERP, the United States would have to conclude that Italy had ruled itself out of the program. To encourage Italians to vote for the Christian Democrats, Washington also approved the use of interim aid for well-publicized development projects rather than for currency stabilization as had initially been intended. Here, it seemed, was a foretaste of the goodies to come.

IMPLEMENTING THE PROGRAM

It had taken ten months to move from Marshall's Harvard commencement speech to the European Recovery Program; given the scope and uniqueness of the project, this was speedy work. But

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even before aid began to flow in the spring of 1948, the context had changed dramatically. After the communist coup in Czechoslovakia in February, Europe seemed to require military aid from the United States more urgently than it did economic help. In March Britain, France, and the Benelux states concluded the Brussels Pact, a military alliance that was also intended to further Western European economic and cultural integration along the intergovernmental lines that Bevin desired, rather than the grander "United States of Europe" that the out-of-office Winston Churchill had advocated in a speech in Zurich in September 1946. Talks then began in Washington to link the Brussels Pact with North America in a transatlantic alliance. Stalin's blockade of Berlin from the end of June gave the negotiations further impetus, and they resulted in the North Atlantic Treaty of April 1949. Finally, at meetings in London in the spring of 1948, the Americans and British forced the French to accept the first steps toward a West German government. Bidault warned his colleagues that, if they refused, the British would go ahead anyway and France would probably lose Marshall aid. A year before the Federal Republic of Germany came into existence, even before Robert Schuman replaced Bidault as foreign minister in July 1948, French policymakers saw the mechanism of European integration as a way to control German power.

In April 1948 a permanent Organization for European Economic Cooperation was formed. With support from some of the smaller states, particularly the Benelux countries, Washington wanted the OEEC to be the instrument of European economic integration as well as the organizer of Marshall aid. But its structure differed little from the earlier CEEC. The venue was Paris, the chairman was British, and Anglo-French control was perpetuated through an executive committee (though its membership had been enlarged to seven). In August 1948 and again a year later, unseemly rows broke out over the allocation of aid. The "shopping list" approach was as evident as in 1947, and in September 1949 ECA Administrator Paul Hoffman decided that henceforth his office, not the national governments, would determine the allotment of assistance.

Britain and France both feared a powerful OEEC, and they cooperated to weaken its potential impact. The British still felt that their commercial and military interests demanded a global role—Britain "was not a part of Europe; she was not simply a Luxembourg," as Bevin put it later[12]—and the French were equally opposed to a strong OEEC as a potential agent of American control. They blocked the appointment of Paul-Henri Spaak, the Belgian foreign minister and ardent integrationist who was the American choice and would have served as an energetic leader, as the agency's director-general, eventually compromising on Dirk Stikker, the Dutch foreign minister, who would play an anodyne role as a political conciliator. The Paris-London axis also resisted American pressure for the OEEC to sponsor a free-trade customs union. While both the Benelux and Scandinavian groups, which derived around one-fifth of their national income from Western European trade, were interested, Britain and France participated in more global commerce, and both countries envisaged recovery

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through protectionist regional groupings such as Britain's sterling area or France's "Little Europe."

The ECA Administrator Hoffman's campaign for a multilateral payments system, which would break Western Europe's postwar bilateral trade structure, met with even more widespread resistance. Britain, anxious to safeguard sterling's position as an international currency, naturally opposed the proposal, but Belgium, a creditor nation, also voiced strong doubts. What secured agreement on a European Payments Union in September 1950 was Hoffman's tactic of earmarking $600 million of the year's Marshall aid to back the scheme—some 15 percent of the total funds committed that year. The payments union lasted eight years, until full currency convertibility was achieved, and it was one of the most significant institutional legacies of the Marshall Plan.

Nevertheless, by 1950 the ERP and the OEEC had been pushed to the margins of transatlantic diplomacy. American attention was now focused on military rather than economic aid: the Mutual Defense Assistance Act of 1949 approved $1.3 billion in weapons and equipment for friendly countries, mostly in the North Atlantic Treaty Organization. After the Korean War began in June 1950, Marshall aid—and U.S. aid in general—increasingly meant military hardware. Meanwhile, in September 1949, Britain had devalued the pound by 30 percent, prompting similar action by most other European currencies. Together with the boom in world raw-materials prices after the outbreak of the Korean War, the devaluation helped Britain narrow the dollar gap, seeming to vindicate its doubts about America's remedy for Europe's problems. But the lack of consultation over devaluation upset the continent, encouraging French Foreign Minister Robert Schuman and the new West German Chancellor Konrad Adenauer to move toward a Franco-German entente—a pact of coal and steel to end the wars of blood and iron.

By autumn 1949 Schuman knew senior policymakers in Washington looked to France, not Britain, to facilitate the Franco-German rapprochement on which the future of Western Europe was seen to depend. The Schuman Plan for a European Coal and Steel Community was announced in May 1950, and henceforth these talks between France, West Germany, Italy, and the Benelux states became the focus for European integration.

ASSESSING THE IMPACT

Western Europe's economic and security situation changed dramatically between 1948 and 1951—partly, but not only, as a result of the Marshall Plan. Early histories lauded the plan's economic effect in extravagant terms; it was Europe's "great leap forward" that had saved the continent "from imminent economic ruin" and had laid "the real foundations of later prosperity."[13] Of late, a more nuanced tone has been adopted, particularly by European economic historians but even by some American participants. As these more balanced histories recognize, ERP aid did not begin to flow until well into 1948, by which time European recovery was under way, not least in Germany. In Charles Maier's felicitous metaphor, American aid served like "the lubricant in an engine—not the fuel—allowing a machine to run that would otherwise buckle and bind."[14]

Roughly two-thirds of Marshall aid went to four countries: nearly one-quarter

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to Britain, one-fifth to France, and roughly one-tenth each to Italy and West Germany. Yet in per capita terms, Norway and Austria were the greatest beneficiaries, with Marshall aid worth over $130 per head, compared with $19 for West Germans.[15] The content of the assistance varied greatly. Forty percent of ERP imports into Britain was food, fuel, and fertilizer. Food also constituted a high proportion of Marshall aid to Germany, Austria, and Ireland, but, across much of continental Europe, over 20 percent of the assistance took the form of vehicles, machinery, iron, and steel. In general, food became less important after 1949. Countries also varied in the way they used counterpart funds, the receipts of national governments from the sale of ERP goods, which Washington wanted earmarked for specific purposes. Britain and Norway applied them almost entirely to debt retirement, but they were used largely for capital investment in Italy, West Germany, and above all France, where the Marshall Plan may be said to have saved the Monnet Plan.

Apart from recovery, the other great aim of the Marshall Plan was European integration. Here too its impact is neither simple nor clear. In 1947 it brought to a head the deepening crisis between the two superpowers and solidified the division of the continent. The successful inclusion of Austria within the ERP was of decisive importance in keeping that country, under four-power occupation, out of Stalin's control. While Prague (farther west than Vienna, as Austrians liked to observe, and traditionally linked to southern Germany) was pulled into the Soviet economic orbit, three-quarters of Austria's trade was brought within the OEEC. Within Western Europe, American aid was never used successfully as a lever of integration: the sums involved were too small and European diversity too great. On the other hand, the European Payments Union was a pioneering innovation. And the indirect effect of American pressure was considerable. It forced Western Europeans to think cooperatively, even if along different lines than the United States—as indicated by Bevin's Western European Union and even the original CEEC. Above all, Marshall aid helped to buy French support for German recovery and to push Paris into a Franco-German solution to Europe's economic and security problems. For Bonn, this was handsome compensation for the fact that, in both absolute and relative per capita terms, West Germany did not do particularly well from the Marshall Plan.[16]

The primary impact of Marshall aid was not economic or institutional but political. Europe's economies would have recovered from the war regardless. But to cover the dollar gap, imports would have been reduced and deflationary pressures imposed. The Marshall Plan was, therefore, vital politically because it promoted growth without depressing wages. All such reasoning is necessarily counterfactual, but it is reasonable to posit that continued austerity and dislocation would have increased alienation and the appeal of extremism. In the early 1930s the right had benefited from Europe's economic troubles; in 1947 it would be the communist left, particularly in the key countries of France and Italy. From this standpoint, the Marshall Plan was more important than Marshall aid, 1947 more decisive than the years that followed. The promise of American aid helped persuade the

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center-left in both of these countries to break with the communists and, in France's case, with Soviet foreign policy. Given America's isolationist record before 1939, a dramatic offer was necessary before the cautious and skeptical Europeans would embark on a gamble that went against their postwar swing to the left.

Marshall's offer was, therefore, as much about reassurance as recovery. Although this was especially true in 1947, public relations mattered throughout the program. The ERP spawned what may be the largest peacetime international propaganda operation, financed from counterpart funds. This involved the ECA office in every country but especially in France, West Germany, and Italy. Washington told Rome that it must use "every method possible . . . to reach Giuseppe in the factory and Giovanni in the fields." ECA officials sought to convince the average Italian "that the plan is his as well as Mr. Marshall's," especially by targeting labor and other key groups such as mothers and children ("Operation Bambi").[17] The intent was to publicize not merely Marshall aid but the gospel of productivity and growth that underpinned it. By the end of 1950, 40 films had been made, shown in town cinemas and by mobile projection units, and 6.7 million Italians had visited ECA exhibitions. There the intricacies of counterpart funds were explained by graphics of a huge safe, from which a conveyor belt poured a cascade of thousand-lira notes, which dissolved into models of the projects they funded.

This campaign helps explain why the Marshall Plan seemed so momentous to contemporaries and why we still make a fuss about it today. These are not merely cynical points. Marshall aid was about hearts and minds, not just mouths and bellies; the appearance of success was as vital as success itself. And amid the fuzzy figures and revisionist rollback a clear contrast stands out. Between 1948 and 1951, the United States pumped about $13 billion into Western Europe. Between 1948 and Stalin's death in 1953, the Soviet Union extracted some $14 billion from Eastern Europe.[18] These statistics are crude but telling. They deserve a place in any history of postwar Europe.

APPLYING THE LESSONS?

Historians, sensitive to the uniqueness of events, are reluctant to draw firm lessons from the past. Many have judged that the circumstances that made the Marshall Plan possible are almost impossible to reproduce. But policymakers are interested in the future, not the past. Historical situations are unique, but we may still elicit some general precepts for other times and places.

To launch anything as grand as a Marshall Plan, one must have enormous confidence. Most accounts suggest that U.S. policymakers shared a heady sense that the fate of the world was in their hands. Having won the war, as they saw it, America alone could save the peace. An essential weapon in their armory was the newfangled belief that economic growth could be managed by governments and could resolve political conflicts. Dean Acheson entitled his memoirs *Present at the Creation.* Not all American policymakers matched his self-assurance, but many in 1947 perceived the dawn of a new world.

At the same time, one needs humility. When Secretary Marshall said the initiative must come from Europe, this was

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not merely to satisfy Congress or prompt integration. It was also good psychology—donors are usually less popular than their donations. Britain and France, two proud but declining empires, particularly resented having to accept American aid. In private, U.S. intervention was frequent, often insistent. But public appearances had to be preserved.

Confidence and humility are, of course, opposites. The trick was to manage the two in creative tension: prodding and cajoling, while also allowing the Europeans to save themselves. Stanley Hoffmann has observed that "there was enough disparity of power between the United States and Western Europe to simplify action, and enough of a community of values to make joint effort possible."[19] This was particularly true of America and Britain, who were building on a successful wartime alliance. In fact, the structure of the CEEC—an executive presiding over technical committees—was modeled on the combined boards that had run the Anglo-American war effort. Many British and Americans bureaucrats in the OEEC (and some of the French) were veterans of those organizations.

Another broad precept: economic aid, by itself, has limited utility. The ERP assisted rather than prompted European recovery; Marshall aid was not large enough to force European compliance, except perhaps over the payments union. America, even at its postwar peak, could not reshape the world economy in its image. Rather, Marshall aid was most successful when targeted at particular areas, whether urgent food for central Europe or capital investment in Italy and France. And, in the latter case, that went against ECA preferences—another instance where humility was the handmaiden to confidence.

Politics is as important as economics. In 1947 Marshall aid sought to foster a political realignment around the center-left. In 1948 it was Washington's main instrument in securing French acceptance of a West German state. And, throughout, a fundamental goal was wooing labor away from communist unions. American objectives were only partially realized. And there were costs as well: Washington's new Christian Democratic allies in Italy were often inefficient and corrupt, and France's strategy for industrial recovery was predicated on a protectionism ultimately inimical to American interests. Tying oneself to specific elites carries real dangers, but economic aid can be implemented only via local political groups.

Equally critical is public relations. Marshall hype was essential to Marshall aid on both sides of the Atlantic. It persuaded Europeans to gamble on America and Americans to gamble on Europe. Given the unprecedented nature of Washington's postwar international involvement, public support could not be taken for granted. High-profile evidence that Europe was both transformed and grateful helped convince Congress and the American people to continue voting for appropriations.

Finally, mounting an economic recovery program of that magnitude requires a sense of overwhelming threat. The Marshall Plan was more discreet than the Truman Doctrine—the scare tactics used to drive aid for Greece and Turkey through Congress in March 1947 had caused a backlash at home and abroad—but the basic anxiety remained the same, namely a Europe pushed by poverty into the

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hands of Moscow. Fear of communism, genuine and exaggerated, gave the Truman administration the political clout to ensure the passage of aid, and it polarized European politics along simple right-left lines. One cannot imagine Marshall's offer and Europe's response without the specter of communism. That is why, for many historians, the Marshall Plan is the defining moment of the early Cold War.[20]

NOTES

[1]Robin Edmonds, *Setting the Mould: The United States and Britain, 1945-1950,* Oxford: Clarendon Press, 1986, p. 28.

[2]Marshall to Paris Embassy, June 12, 1947, in U.S. Department of State, *Foreign Relations of the United States* [hereafter, FRUS] *1947, Vol. 3,* Washington: Government Printing Office, 1972, p. 251.

[3]Caffery to Marshall, June 16, 1947, *FRUS 1947, Vol. 3,* pp. 255-56.

[4]See the essays by Scott D. Parrish and Mikhail M. Narinsky, "New Evidence on the Soviet Rejection of the Marshall Plan, 1947: Two Reports," Cold War International History Project, Woodrow Wilson Center, working paper no. 9, March 1994.

[5]Bidault-Byrnes interview, Sept. 23, 1947, quoted in Narinsky, "New Evidence," p. 47.

[6]Moscow meeting, April 15, 1947, *FRUS 1947, Vol. 2,* p. 343.

[7]"Stalin, Czechoslovakia, and the Marshall Plan: New Documentation from the Czechoslovak Archives," *Bohemia,* 32:1 (1991), pp. 135, 137.

[8]Clayton-Bevin Meeting, June 24, 1947, *FRUS 1947, Vol. 3,* p. 268.

[9]Georges-Henri Soutou, "Georges Bidault et la Construction Européenne, 1944-1954," *Revue d'Histoire Diplomatique,* 105 (1991), p. 273.

[10]Irwin M. Wall, *The United States and the Making of Postwar France, 1945-1954,* New York: Cambridge University Press, 1991, p. 78.

[11]Stanley Hoffmann and Charles Maier, eds., *The Marshall Plan: A Retrospective,* Boulder: Westview Press, 1984, p. 43.

[12]Memo by Pierson Dixon, Aug. 23, 1950, FO 800/517, US/50/35, Public Record Office, London.

[13]Richard Mayne, *The Recovery of Europe, 1945-1973,* Garden City: Anchor Books, 1973, p. 132.

[14]Charles Maier, "The Two Postwar Eras and the Conditions for Stability in Twentieth-Century Western Europe," *American Historical Review,* 86 (1981), p. 342.

[15]Günter Josef Bischof, "Between Responsibility and Rehabilitation: Austria in International Politics, 1940-1950," Ph.D. Diss., Harvard University, 1981, pp. 520-21.

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[17]David W. Ellwood, "From 'Re-education' to the Selling of the Marshall Plan in Italy," in Nicholas Pronay and Keith Wilson, eds., *The Political Re-education of Germany and Her Allies,* London: Croom Helm, 1985, 228-33.

[18]Paul Marer, "East European Economies: Achievements, Problems, Prospects," in Teresa Rakowska-Harmstone and Andrew Gyorgy, eds., *Communism in Eastern Europe,* Bloomington: Indiana University Press, 1979, p. 248.

[19]Hoffmann and Maier, eds., *The Marshall Plan,* p. 89.

[20]For further reading, see Michael J. Hogan, *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952,* New York: Cambridge University Press, 1987; Alan S. Milward, *The Reconstruction of Western Europe, 1945-1951,* London: Methuen, 1984; Charles Maier and Günter Bischof, eds., *The Marshall Plan and Germany,* New York: Berg, 1991; and David Reynolds, ed., *The Origins of the Cold War in Europe: International Perspectives,* New Haven: Yale University Press, 1994.

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In the Halls of the Capitol

A Memoir

Charles P. Kindleberger

Once the Europeans had begun to respond to the Marshall initiative, Congress and the executive branch sprang into action. On June 19, 1947, just two weeks after George Marshall spoke at Harvard, the State Department's Policy Planning Staff under George Kennan proposed the establishment of several economic and political committees to flesh out the speech's vague proposal. President Truman and the congressional leadership agreed on this course of action on June 22. Three days later, they found me on the lower floors of the State Department laboring over what remained of the German economy and named me executive secretary of the department's working committee on the Marshall Plan. Our first charge was to estimate the assistance needs of the 16 participating European countries—after the Soviet Union and its satellites had dropped out—for the next four and one-quarter years, from April 1948 to June 1952.

Under Secretary for Economic Affairs Will Clayton was dispatched to Europe to explain America's intentions. Throughout his meetings with statesmen in London and Paris, he emphasized that any program designed in Europe and approved by the president still had to meet with congressional approval, and this last step of the process would require political subtlety and patience. Clayton advised his European colleagues first to prepare a detailed plan; American officials would then render "friendly assistance," which would not imply endorsement, in revising the proposal for submission to Congress. The Foreign Relations and Foreign Affairs Committees in the two houses would then consider the aid bill and recommend its passage to Congress, followed by approval of a congressional authorization bill for the program. And, finally, the Finance and Appropriations Committees would appropriate the funds.

By early September, the European working group, the Committee of European Economic Cooperation (CEEC), had drawn up a program that called for almost $30 billion of American assistance

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over four years—$19.9 billion for the European debt to the United States and $8.3 billion for net imports from the rest of the American continent. Clayton had to make clear in a friendly fashion that this figure was simply too high; he himself had suggested $6 billion or $7 billion a year for three years. James Reston of *The New York Times* claims that when he reported the Clayton figures, Senator Arthur Vandenberg (R-Mich.) called him to say that he must have been misinformed, since Congress would never appropriate that amount of money to save anybody.

IRONING OUT THE DETAILS

The first item eliminated was money to buy goods outside the United States—so-called "offshore purchases." Next to go was the extension of American aid to Europe's colonies. Over the summer of 1947 American policymakers discussed numerous issues associated with the program. Should it consist of commodities and services, cash, or both? What conditions, if any, should be placed on the use of "counterpart funds," which the assisted governments acquired by selling commodity aid in national markets for local currencies? How hard should the United States push on balanced budgets, tight monetary policies, and cooperation and integration among the participating countries? One requirement that Congress deemed of paramount importance was that the European countries be self-supporting at the end of the four-year program.

As early as July 1945 the U.S. government had become concerned about the state of Europe's coal production and the distribution of its energy resources. The harsh winter of 1946-47 intensified the pressure on Europe's strained economies and generated American support for a commodity approach. In London on June 25, Clayton spoke of sending Europe fuel, food, and fiber—the three "f's," as the economists called them—and a fourth, fertilizer. Thinking in terms of a preliminary American grant to Britain to enable it and the United States to rebuild continental Europe, Foreign Secretary Ernest Bevin suggested that the British Commonwealth could contribute rubber and wool. Other early European lists mentioned timber, dairy products, dried fruit, steel, transport machinery, even consumer goods. Our interdepartmental working committees produced a program, collected in what became known as the "Brown Books," that listed 26 commodities and commodity groups, provided by the United States and exchanged among participating countries.

The commodity approach had considerable technical deficiencies. First, provision of commodities was supposed to correct balance-of-payments deficits, independently determined. But those deficits, without the aid, would have been too big for any independent management. Second, American policymakers committed the fallacy of misplaced concreteness when they insisted that surveillance of the commodities they provided was necessary to insure their efficient use. Not just U.S.-provided steel should be used efficiently, for example, but all steel—U.S.-provided, home-produced, and steel imported from other countries. Third, any attempt to forecast the balance of payments far in advance is almost certain to be wide of the mark. When the miserable harvest of 1947 was followed by an excellent harvest

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in 1948, the agricultural imports projected for 1948 turned out to be excessive.

However deficient in terms of economic analysis, the Brown Books required a tremendous effort on the part of many economists and secretaries who worked weekends, late into the night, and often all night. And the Brown Books impressed Congress. In November, Vandenberg wrote, "The preparations the State Department has made for this next showdown are amazing. Indeed they overwhelmed us with documentation. It is a magnificent piece of work. But it is three inches thick."

Over the summer of 1947, it became clear that the CEEC would not finish its task in time for Congress to act on the proposal before the end of the year. Meanwhile, the United States continued to support the revival of Europe through the U.N. Relief and Rehabilitation Agency. The United States provided more than 80 percent of UNRRA aid but had only one vote in 17; the Soviet Union, the United Kingdom, and Canada held out for their own agendas. In a critical memorandum on Marshall aid, Clayton wrote, in italics, *"We must avoid getting into another UNRRA. The United States must run this show."*

Awaiting a workable Europe-wide plan, the U.S. government sought supplementary aid for Austria, Italy, Hungary, Greece, and Poland, though help for the last country did not survive a determination by Department of Agriculture officials that the Poles were not really hungry. These funds—$350 million—had been authorized in September 1946. In December the British declared that they could no longer feed their heavily populated zone of occupation in Germany and wanted a bi-zonal agreement in which relief costs would be split evenly between Britain and the United States, requiring an increase in American appropriations. Things got no better in 1947.

The Marshall Plan was intended to end this series of rescue operations, but before it could get under way, one last emergency required attention, as France and Italy, both with strong local communist parties, ran out of money. As legislative action on the full Marshall Plan had been postponed until 1948, the executive branch asked Congress for interim aid for the two countries. Under Secretary of State Robert Lovett testified on the matter for two weeks in a special congressional session in November 1947. He reportedly observed that although Congress did not directly attack sin, it must have thought the State Department furnished an adequate substitute.

OVERCOMING ISOLATIONISM

Dean Acheson has written that although Vandenberg did not furnish the ideas, the leadership, or the drive that secured congressional approval of the Marshall Plan, he did make the result possible. Early on, Acheson had mocked Vandenberg as "a severe cyclonic disturbance caused by hot air . . . producing heavy word fall." In time, however, Acheson came to have great respect and considerable affection for this midwestern Republican as the latter, largely as a result of Pearl Harbor, metamorphosed from a strident isolationist, who had voted for the Neutrality Act of 1938, to a committed internationalist. Vandenberg was a candidate for the Republican presidential nomination in 1940, but he was beaten out by the internationalist Wendell Willkie, who then lost the election to Franklin Roosevelt.

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MADISON BOOKS

He briefly contemplated running again in 1948 but decided he would rather work for a bipartisan—then often described as "nonpartisan"—foreign policy in Congress. When the Republican Party won control of both the House and the Senate in 1946, Vandenberg became chairman of the Foreign Relations Committee and, in that capacity, was the leading congressional voice on foreign policy.

Senator Robert Taft (R-Ohio), chairman of the Republican Steering Committee, an important member of the Senate Appropriations Committee, and a noted isolationist, had a sizable following and packed a considerable punch. When the interim aid bill came before the Senate, Taft gave it some trouble; Vandenberg believed that the upcoming presidential election (in which Thomas Dewey, not Taft, won the Republican nomination) must be "what was biting Robert." In the end, however, Taft voted for the interim aid bill. Then, in February, came full Senate deliberation on the larger Marshall bill. The State Department sent me to Capitol Hill to provide Congress with statistics and analysis if, in the heat of debate, they were needed. I sat in the last row of the Senate chamber, directly behind Senator Joseph McCarthy (R-Wisc.).

The two members of the committee on whom Vandenberg most depended were Henry Cabot Lodge, Jr., (R-Mass.) and H. Alexander Smith (R-N.J.). Smith seemed to me far more knowledgeable about the issues, but Lodge was far more effective in debate. What was said had far less impact than how it was said. Smith's voice was low and hesitant, Lodge's loud and confident.

Senator Joseph Ball (R-Minn.) had had an epiphany opposite that of Vandenberg, moving from stalwart internationalism early in his senatorial career to skeptical isolationism. Like some prominent figures then, and a few revisionists since, he felt that no aid would be required if

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European countries would balance their budgets and depreciate their exchange rates to what economists call "purchasing power parity"—the rate that would restore the relationships among national prices to levels at which payments were more or less in balance.

At last, I thought, here was a point of economic theory on which I might be consulted. I waited for someone from the Foreign Relations Committee staff to stroll over to me in the back row and ask for enlightenment. No one turned in my direction. Instead, Vandenberg rose to his feet and asserted that the purchasing power parity theory was the work of John Maynard Keynes, and we wanted none of that. Invocation of Keynes implied government interventionism, and it demolished the likes of Senator Ball. I suspect I was the only person in the Senate chamber that day who knew the theory had been propounded not by Keynes, but by the Swedish economist Gustav Cassell.

The most interesting confrontation broke out between Taft and Vandenberg. One of many remaining Senate isolationists, Taft attacked the Marshall program for "helping socialism." Rather than claiming that Europe did not need help, that the United States could not afford the assistance, or that Europe would take care of its own problems—this last being the view I believed Taft really held—he said he supported the program but only with reduced funding. Instead of $4 billion for the first full year, Taft suggested $3 billion. Again Vandenberg issued the effective riposte: "When a man is drowning 20 feet away, it's a mistake to throw him a 15-foot rope." Taft's motion to cut the first 12-month authorization lost 56 to 31, and the final Senate vote on the Marshall authorization bill passed 69 to 17. The margin of victory (in percentage terms) in the House was slightly higher, 329 to 71.

PEAS AND FISH

Next came the appropriation of the funds. My recollections of this process relate mostly to the House Appropriations Committee under John Taber (R-N.Y.). Paul Nitze, who was then deputy director of the State Department's office of international trade policy, initially presented the Brown Books, reviewing each item line-by-line, and came ultimately to "pulse peas." Taber asked Nitze, a financial expert from Wall Street, how pulse peas were cultivated. Nitze's answer was wobbly. The representative stormed out of the room and telephoned Robert Lovett to say the whole project was unsatisfactory. Lovett, according to one account I heard, asked Taber, the House expert on defense appropriations, how many rivets were in the wing of a B-29 bomber. Taber understandably drew a blank, and the flow of inane questions dried up.

Some government witnesses on commodities and countries were superb. Walter Levy, a petroleum economist, fascinated the committee members by converting, in his head, tons of oil production per year, the measure used in Europe, to barrels of oil production per day, the practice in the United States. (The conversion is actually quite easy: multiply the first figure by 50 to get the second.) An item on fish in the Brown Books prompted Taber to ask whether it referred to dried cod or fish in brine. The answer was both. The representative was gratified, explaining that his family in upstate New York kept a small

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barrel of mackerel in brine in the cellar each year.

Among the items in the Brown Books that raised some eyebrows were the country "residuals," imports allowed beyond the 26 commodities and commodity groups, which accounted for some 80 percent of total estimated imports. The "residuals" were necessary for accounting purposes: if new information required revision of one of the 26 commodities or groups, changing the total figure for imports would have undermined Congress' confidence in the estimates. Instead we changed the residual in the opposite direction.

Counterpart funds had been a subject of serious discussion between Washington and the European working group. The negotiated solution was that the proceeds would belong to the recipient government but that their use required agreement by the U.S. mission in the country. The purpose of the restriction was to guard against inflationary spending to cover deficits. The requirement was helpful in cases in which a finance minister wanted a lever against spending-happy cabinet colleagues, irksome to countries like the United Kingdom that believed they adhered to sound monetary and fiscal policies, and awkward in France which had tied its hands with its own restrictions and sometimes needed counterpart cash for legitimate purposes. I recall a young, purist official in the Economic Cooperation Administration who wanted to deny the French government's application for use of counterpart funds. The likely result would have been the fall of yet another French cabinet. The economist was blessedly overruled.

To Congress, counterpart funds looked like an opportunity. Some portion of the funds, it insisted, should belong to the United States and be used at its own discretion, within the laws of the recipient country. The State Department objected that the funds were not aid but the sale of U.S. goods for local currency. In the end, the State Department yielded, agreeing that five percent of counterpart funds would fall under the control of the United States. Some was used to buy or build embassies and ambassadorial residences, much to entertain visiting congressmen.

An important issue in the legislation was how the act would be administered in the United States and abroad. Congress strongly opposed having the State Department in charge and pushed for a separate Economic Cooperation Administration that would run its own missions, though necessarily in close communication with the local American embassy. To head the administration, moreover, Vandenberg could not accept a transplanted State Department official; he wanted a business executive from outside government and pressed upon Truman Paul Hoffman, an automobile manufacturer, who proved to be an inspired choice.

Congress' most positive contribution to the final legislation came in the preamble to the Economic Recovery Act, which urged the participating countries to join in a United States of Europe. European integration had been discussed within the Truman administration before the draft legislation was presented, but the State Department held back from adding a political gloss to a program aimed at economic recovery. Congress lacked such delicate inhibition, and it was this preamble that conveyed the emerging American policy of support for European economic integration. Half a century later, the idea remains current.

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Profile

An Extraordinary Partnership

Marshall and Acheson

James Chace

George Catlett Marshall had worn the uniform of the U.S. Army for almost his entire adult life when President Truman named him secretary of state. The day he took the oath, Marshall walked unannounced into the office of the incumbent "number two" in the State Department hierarchy, Under Secretary Dean Acheson. "I will keep you only a minute," Marshall said with his unfailing courtesy and customary directness. "I want you to stay. Will you?"

Acheson, who had served out World War II as an assistant secretary of state, had no interest in remaining in office; he was eager to return to his lucrative law practice. Faced, however, with a formal request from arguably the most respected man in the land, he could only reply, "Certainly." In a matter of a few moments, they agreed to a transitional partnership of six months or so at the helm of the State Department.

Those six months from January to July 1947 marked the apex of American power and purpose in the Cold War. Under the stewardship of this brief, extraordinary partnership came the Truman Doctrine and the Marshall Plan, defining moments of American diplomacy whose effects endured for more than four decades and changed the course of history. Disparate in background and personal style, Marshall and Acheson recognized in each other a keen sense of public duty and an impatience with indecision.

Marshall was born in 1880 to the manager of a coal mine in Lewistown, Pennsylvania. Commissioned an army lieutenant the year after his graduation from the Virginia Military Institute in 1901, he served two tours of duty in the Philippines. Then, in World War I, he caught the attention of General John J. Pershing for his efficiency and logistical

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wizardry. For three years in the 1920s he managed a training mission in China, then successive base and training commands stateside. The day Hitler invaded Poland, Marshall was sworn in as the army chief of staff, charged with mobilizing the American military for a massive war effort and then with planning a two-front war against Germany and Japan. Churchill called Marshall "the true organizer of victory," and, in unaccustomed agreement, Stalin concurred.

On the home front, Marshall's stature soared even as his younger comrade, Dwight D. Eisenhower, won headlines during the 1944 invasion of Normandy. Eisenhower commanded what Marshall had planned. Senator Harry Truman called Marshall "the greatest living American," this at a time when Franklin D. Roosevelt was still alive. Suddenly becoming president on Roosevelt's death in 1945, Truman refused Marshall the peaceful retirement the 66-year-old general had planned for war's end, ordering him instead to China to mediate the raging civil war.

Wise in the ways of bureaucracy, Marshall arranged a "rear echelon" before his departure, one responsible official who would ensure that his dispatches would reach the president and not get lost in departmental power plays. For this mission of trust, Marshall called upon a State Department official he had scarcely met before but knew for his reputation of efficiency, forthrightness, and intelligence, the new under secretary, Dean Acheson. The partnership had begun.

A BLADE OF STEEL

Dean Gooderham Acheson was born in Middletown, Connecticut, in 1893, son of a clergyman. An indifferent student at Groton and Yale, he blossomed intellectually at Harvard Law School, presaging a stellar career in law and public service. He idolized Oliver Wendell Holmes and clerked for Louis Brandeis at the Supreme Court, then rose quickly to become a partner in the distinguished Washington law firm that became known as Covington and Burling.

Acheson was tall and elegant, sporting a full, clipped mustache and habitually wearing a Homburg in what seemed to many a British affectation. Not at all, said the British ambassador to Washington, Sir Oliver Franks, a personal as well as official friend; Acheson was "not at all an English or British type; he is a pure American type of a rather rare species." He was, said Franks, "a blade of steel."

When Marshall became secretary of state upon his return from his discouraging mission to China, he promised Acheson a free hand in running the department; Acheson would be an all-powerful chief of staff who would consult his superior officer only when he needed help. "I shall expect of you the most complete frankness, particularly about myself," Marshall told his new deputy. He had no feelings, he said, "except those I reserve for Mrs. Marshall." Long afterwards Acheson wrote, "I wonder how many men have ever had such fundamental humility or so delicate and punctilious a sense of honor."

Marshall's tenure at the State Department began with a sense of foreboding about the future of the international system and a growing impression that the wartime partnership with the Soviet Union was not sustainable. Marshall was consumed with discerning Stalin's ambitions and strategy, and he returned

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NATIONAL ARCHIVES

A world divided: Dean Acheson maps out American policy.

deeply discouraged from the four-power Council of Ministers meeting in Moscow that spring.

Meanwhile, Acheson kept watch on the faltering European economies and read the alarming assessments of George Kennan's Policy Planning Staff and of economists like Walt Rostow, Charles Kindleberger, and, above all, Will Clayton. And Acheson gave the first public voice to the policy concerns that would culminate in Marshall's 1947 commencement address at Harvard. The setting for Acheson's speech of May 8, 1947, about America's stake in the plight of Europe was improbable: the tree-shaded lawn of a teachers' college in Cleveland, Mississippi, between Vicksburg and New Orleans.

The Delta Council, a regional civic organization, had hoped the president himself would address their annual convocation, but the state Democratic Party was at that moment engaged in a nasty political struggle, and Truman judged it prudent to stay out of Mississippi. Marshall was abroad, Acheson was the fallback—"a hell of a comedown from the president to the under secretary of state," he remarked. The diplomat's imposing elegance might at first have startled his audience of farmers and small businessmen, their wives and children. But Acheson quickly doffed his coat in the afternoon heat, rolled up his shirtsleeves, and did not even read from the prepared text; instead, he spoke informally from notes he had made on the way down from Washington.

Europe's livelihood and America's economic well-being were closely intertwined, Acheson warned. Unless their acute dollar shortage was overcome, European countries would not be able to finance imports from the United States. "There is no charity involved in this," he told his audience.

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Not only do "human beings and nations exist in narrow economic margins, but also in human dignity, human freedom, and democratic institutions." The United States must widen these margins both for "our national security" and as "our duty and our privilege as human beings."

After he returned to Washington, Acheson was confronted by James Reston of *The New York Times*, who inquired, "Is this a new policy that you are enunciating, or is it just a bit of private kite-flying?" Ask the president, Acheson replied. At Truman's next press conference, Reston asked if Acheson's Mississippi speech represented administration policy? "Yes," said Truman, and that, for the moment, was that.

On his return at the end of May from the ministerial meeting in Moscow, Marshall took all the staff recommendations in hand and, with drafting help from Acheson and career diplomat Charles Bohlen, the Harvard commencement speech of June 5 took shape. Though Acheson left the State Department at the end of that month, abiding by the terms of his original agreement with Marshall, he remained one of the most active public advocates for the emerging Marshall Plan on the lecture circuits and before congressional committees.

ROLE REVERSAL

The Marshall-Acheson partnership did not end after those first six months. Against all expectations, Truman won the presidential election of 1948. Approaching 70, Marshall again asked to retire, and this time the president granted him his wish. To succeed Marshall as secretary of state, Truman appointed Dean Acheson. Almost two years later, faced with disarray in the Pentagon in the dark days of the Korean War, Truman again turned to the best man he knew and called Marshall out of retirement to become secretary of defense.

"When he returned to the Cabinet in 1950," Acheson recalled, "it seemed natural to all of us that, next to the president, deference was due to General Marshall. But he would have none of it. The Secretary of State was the senior officer to whom he punctiliously deferred, not only in matters of protocol but in counsel as well." In the same vein, Marshall had earlier written his former chief of staff a note of congratulations on his appointment as secretary of state. Acheson replied, "To say what makes greatness in a man is very difficult. But when one is close to it, one knows. Twice in my life that has happened to me. Once with Justice Holmes, and once with you."

Marshall finally retired for good in September 1951, and held on in failing health until October 1959. Among the last visitors to his deathbed was Winston Churchill. Acheson survived waves of partisan criticism through the Truman administration and settled into the role of elder statesman, advising Presidents Kennedy, Johnson, and Nixon, until his death in October 1971.

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Profile

A Modest Magician

Will Clayton and the Rebuilding of Europe

Gregory Fossedal and Bill Mikhail

William L. Clayton was, in the words of Dean Acheson, the "catalyst" of the Marshall Plan. Through the summer of 1947, as the Committee of European Economic Cooperation labored to transform a vague offer of assistance into a workable plan, this Southern businessman's long strides through Geneva, Paris, and London embodied America's can-do resolve. As he returned from Geneva in October with an accord for the General Agreement on Tariffs and Trade in one folder (the product of the "Clayton Round") and the outline for implementing the Marshall Plan in another, *The New York Times* commented that his work "makes all previous international economic accords look puny." It amounted to "the big step that nobody else but Mr. Clayton and a few of his colleagues ever thought would be taken."

Contemporaries were well aware of Clayton's crucial contribution, but recent histories of the period hardly refer to this quiet diplomat. This seeming puzzle falls away when one compares Clayton to the large egos that surrounded him: George Marshall, Dean Acheson, Clark Clifford, and George Kennan. With the exception of Marshall, each remained active in policymaking circles for the next generation. They wrote memoirs and cultivated reporters, scholars, and biographers. Clayton did not. Yet on his death in 1986, obituaries noted that Clayton "has been recognized by many as the idea man behind the Marshall Plan." "If Clayton were not the sort of person who didn't care a lot about the credit," Clifford said long afterward, "he probably wouldn't have been able to put everything together—between the president and Acheson and all the

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others." And without such a humble broker, "there might have been no plan."

FROM MISSISSIPPI TO MARSHALL

Born in 1880, Clayton was a successful entrepreneur in the cotton industry in the early years of the century. Starting from humble beginnings in Tupelo, Mississippi, he mastered commodity brokerage and was a multimillionaire by the end of World War I. As his wealth and market expertise grew through the next decade, he became interested in the politics of international economics, free trade in particular. In a distinct minority among his business colleagues, Clayton was a defender of Franklin D. Roosevelt, and as the Republicans veered toward protectionism, he became a confirmed Democrat, albeit on the conservative side of the New Deal.

In 1940 Roosevelt summoned Clayton to Washington as one of that extraordinary breed of "dollar a year" men, and he stayed through World War II, until late in 1947. His first task was to unite the Latin American countries against the Axis powers, designing a combination of credits and liberalized trade to put substance into the Good Neighbor rhetoric. Deploying all the tricks he had learned in commodities trading, he directed the "Warehouse War," a huge American effort to locate and stockpile key raw materials, thereby denying access to Germany and Japan. Clayton and a cadre of young aides from the world of finance borrowed, cajoled, and stole graphite, rubber, and tungsten from sources close to the enemy.

Clayton's real passion, however, was not winning the war but building the peace. Early on he began thinking about the lessons of the First World War, concluding that the Allies had to avoid another Versailles settlement with its huge reparations and debts, vicious currency devaluations, and punitive obstructions to free trade. For Clayton, reduction in trade barriers and stable currency went hand in hand. Stable money certainly brought low inflation and manageable interest rates, but it also underpinned free trade. Without agreements and institutions that ensured a level monetary playing field, countries would always be tempted to resort to currency devaluation as a means of protecting themselves from competition. Tariffs or quotas would follow close behind.

Roosevelt named Clayton assistant secretary of state in December 1944; Truman later promoted him to under secretary for economic affairs. His conduct of foreign economic policy from late 1944 was driven, one might even say obsessed, by the goals of free trade and monetary stability. Unlike more senior American decision-makers, he knew economics not as a scholar but as an international commodities dealer with firsthand experience with currency fluctuations, interest rates, inflation, and their sensitive interrelationships. Not attracted by the social democracy popular in postwar Europe, Clayton firmly believed in capitalism, and among the Marshall Plan's virtues would be that it would help spark economic growth in Europe based on the principles of free enterprise. Equally important, American aid would lure Europe into reducing trade barriers, which was essential to preserve the peace.

As his colleague, Under Secretary Dean Acheson, took charge of the aid program to Greece and Turkey in early

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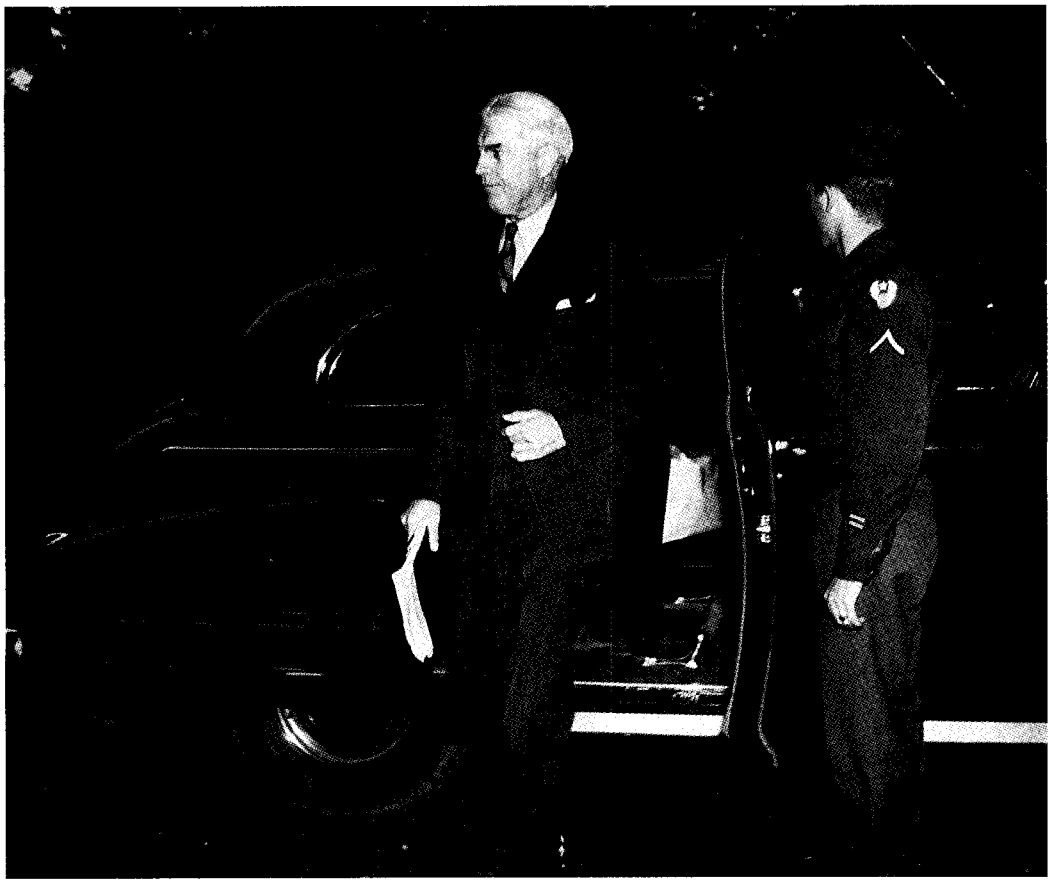

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Will Clayton arrives at the Potsdam Conference, July 1945.

1947, Clayton began to fit the Truman Doctrine into a larger scheme, his long-standing plans for the postwar recovery. The result was the first of two memorandums that were the first glimmerings of the Marshall Plan. The memo was actually a set of so-called talking points: declarative sentences, usually one per paragraph, intended to guide oral briefings before Acheson, Marshall, and, when the occasion arose, the president. Writing on March 5, 1947, with the authority of a seasoned financier and the experience of a by now shrewd diplomat, Clayton argued that the military aid of the Truman Doctrine could only be the start. It was an essential stopgap measure, but soon the United States would have to pursue a broader, more ambitious program of economic growth for all of Europe. For a project of such scope, the administration would need the full support of the American people, and the effectiveness of the public relations effort would in turn depend on European countries' steps to get their economies in order, with American aid offered as an inducement. After the carrot came the artfully crafted stick: "The United States does not wish to interfere in the domestic affairs of any country, but countries to which it extends financial aid must put their internal affairs in order." It made greater economic sense to spend significant sums and be demanding on substance,

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Clayton argued, than to dribble out aid but get no reforms.

PRINCIPLE AND PERSUASION

Acheson, for one, was impressed, and through Acheson and Clayton's subsequent meetings with journalists and members of Congress, the concept began to take hold. It soon became clear that it would be easier to get billions of dollars for a serious, broad-based economic program from which America too would benefit than a few hundred million dollars for "piecemeal proposals," as James Reston of *The New York Times* put it. Clayton and Acheson understood that in a democracy, broad support for foreign policy requires a diplomacy of principle; realpolitik is simply not realistic. Coming from a conservative businessman, these arguments had a powerful impact on Marshall and Truman. By late March the Marshall Plan—an act of financial and political audacity, linked to great expectations for European economic reform—was taking shape within the higher reaches of government.

Truman asked Clayton to go to Europe and observe the situation for himself, as he had done in the past as an investor. On his return in late May Clayton presented his second memorandum. He crafted this document as a shocking report on the state of Europe rather than a recapitulation of the steps necessary to meet the challenge. He was particularly struck by events in France, where the government faced an inflation crisis and, trying to implement price controls, was unable to persuade farmers to bring their goods to market. People in the cities were literally starving. Something had to be done to restore a modicum of confidence before Europeans could even talk seriously about dropping trade barriers. To encourage free-market reforms, Clayton said, the United States must offer a multi-year grant.

Clayton's second memo had been designed to shock, and it succeeded. At the end of May, sitting down with the two memorandums from Clayton, a policy planning report from Kennan, and updated estimates from Clayton and Acheson staffers, Marshall drafted his terse speech for the upcoming Harvard commencement. (Acheson later recorded that about half the input for the Harvard speech came from Clayton.) In one sense, Marshall's speech was only the start. "Plan?" Kennan remarked in a moment of annoyance two months later. "There is no plan." But from Clayton's vantage point, Marshall's speech was the consummation of years of effort to ensure a stable foundation for peace. Europe needed the assistance, and only four months after the Harvard speech, nearly six months before any aid flowed, France and Britain began stabilizing their currency. The postwar recovery had begun.

Clayton made distinctive contributions to both the ideas and the politics behind the Marshall Plan. Earlier and more clearly than anyone else in Washington, he drew the links between U.S. aid, European trade liberalization and monetary discipline, and the stability of the postwar peace. Moreover, his broad commercial experience, his knowledge of Europe from his cotton-business days, and above all his mien—personable but relentless—made him the ideal figure to guide the Marshall Plan's growth from concept to reality, to forge a consensus among Congress, the State Department,

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the White House, the Treasury Department, and the struggling European states.

Where would Will Clayton stand on the international financial issues of today? If biographers may presume to assign thoughts and words to their subject, Clayton would be troubled. America seems to be confronting Russia and Eastern Europe with just the sort of postwar settlement that Clayton sought to avoid in his own time: a Versailles-like burden of crushing debt, plunging production, industrial economic collapse, and no swift inclusion of troubled states within an integrated Europe. Clayton would probably note that while America has paid lip service to the recovery of the former Soviet bloc, its financial commitment has not approached the scale of the Marshall Plan. Nor has this aid been conditioned on policies for growth and recovery. In this nuclear-armed world, the stakes in 1997 are no lower than they were a half-century ago.

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Special Relationships

The Postwar Bequest

Roy Jenkins

This is my second opportunity to commemorate the Marshall Plan. Twenty-five years ago I received an honorary degree and gave the Harvard commencement address from the same spot where George Marshall had delivered his reverberating oration on June 5, 1947. There are those who argue that the plan he unveiled that day made little difference to Europe's recovery. The rebuilding of the continent began before aid started to flow, they say, and would have gone ahead in any event. As with any reasonable theory, this one has some evidence on its side—but not nearly enough.

The United States had, with little publicity, sent Europe large amounts of aid, mainly in the form of loans, in 1945 and 1946. Postwar American assistance reached a trough in 1947, coinciding with, though not causing, the economic and political crises of that year. These economic troubles and the falloff in aid were particularly dangerous in France and Italy, where, if not for the fortuitous presence of strong interior ministers, the pro-Western governments might have given way to powerful domestic communist parties. Britain was free of that threat, but fuel shortages during that particularly severe winter shut down much of the country's industry, and the unemployment rate temporarily soared.

The next year the economies of Western Europe picked up significantly, even before they received Marshall aid. But the governments knew the funds were coming. Europe may have jumpstarted its recovery before American assistance began to flow, but the Marshall Plan provided a critical element without which the continent's rehabilitation

Lord Jenkins of Hillhead is Chancellor of Oxford University. He was Home Secretary and Chancellor of the Exchequer in two Labour governments between 1965 and 1976, and then served as President of the European Community.

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would have stalled: relative freedom from balance-of-payments restraints. Since the end of the war, Europe had lived from hand to mouth; its limited recovery had been stimulated by the desperate need for short-term supplies. Marshall aid enabled Europe to plan more securely and to embark on an essential program of fixed investment. If the Marshall Plan did not prompt the recovery, it served as the crucial underpinnings.

UNRAVELING ALLIES

Aside from the direct economic effects and the free transatlantic transfer of billions of dollars (these were certainly not negligible), the Marshall Plan had several long-lasting political consequences. Perhaps most important, it healed the breach between Britain and the United States that had been threatening their relationship since late 1945. Immediately after the war, the North Atlantic partnership suffered numerous buffets. To American leaders, the British appeared tiresomely sensitive as they clung, with increasing difficulty, to their status as a great power. Britain refused to fall in line with American foreign policy, and the rift between the countries grew over relations with the Soviet Union. First Franklin Roosevelt and then Harry Truman sought to avoid appearing closer to Winston Churchill than to Joseph Stalin. Although the American government's position would soon change, it was initially more hopeful of Soviet cooperation than were either Tory or Labour leaders. When Churchill delivered his "iron curtain" speech in March 1946, Truman was less enthusiastic about it than were the Labour Prime Minister Clement Attlee and Foreign Secretary Ernest Bevin. And a week later, Secretary of State James Byrnes offered the hardly heartwarming comment that the United States was no more interested in an alliance with Britain against the Soviet Union than in an alliance with the Soviet Union against Britain. Such an even-handed approach would have been unthinkable under the team of Marshall and Dean Acheson, but, while it lasted, it put a considerable damper on any "union of hearts" hopes in the British government.

Washington dealt Attlee's Labour government three heavy blows in its first six months. First was Truman's abrupt, unilateral, and almost unintentional termination of lend-lease a week after the end of the Pacific war. Then came the failure of the great economist-diplomat John Maynard Keynes to negotiate a reasonable replacement for the program. Keynes had believed the United States would offer a grant or an interest-free loan of $5 billion to sustain Britain, whose overseas assets had been liquidated and whose exports had fallen by two-thirds as a result of the war effort. But he was able to get only a $3.75 billion loan, payable over 50 years at two percent interest, and a stipulation requiring premature sterling convertibility meant that a large part of this aid whooshed away to third countries as soon as the clause took effect in the summer of 1947. But the British government was too desperate to refuse these terms. Unlike the Marshall aid, which was a gift and not a loan, this assistance package created more dissension than gratitude and was not supported in Parliament, even by the Conservative Party.

Finally, with the severance of the full exchange of information on atomic weaponry, which the British believed had

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been secured by the Quebec Agreement of 1943, relations between the two countries became still worse. Attlee had a reasonably satisfactory discussion on the matter with Truman in November 1945, but this private understanding was not a public commitment. The United States refused a formal British request for specific information in April 1946, as Truman pleaded that he was bound by the McMahon Act, which restricted the sharing of atomic secrets with other countries. No bitter public recriminations followed: Britain was too dependent on the United States, and Attlee was not a man to indulge in luxuries he could not afford. But at the beginning of 1947, the relationship had little warmth, particularly as the United States and Britain clashed over Palestine, where the United States supported the creation of a new state of Israel to replace the British mandate.

The Marshall Plan was the first step in transforming this atmosphere. It was followed and supplemented by a joint role in the creation of the North Atlantic Treaty Organization in 1949, the common airlift to overcome the Soviet blockade of Berlin in 1948-49, and the two countries' embroilment in the Korean War in 1950. But the plan laid the foundation for the Anglo-American "special relationship." Marshall's gesture of generosity—or, more cynically, his offer based on exceptionally enlightened self-interest—became a reality largely because of the rapid response of Bevin and his French counterpart, Georges Bidault. The prompt, effective reaction turned Britain, at least in its own eyes, into an enthusiastic joint parent of the Marshall Plan. The plan also changed the attitude toward the United States of the British moderate left, which had, with the end of the war, come to regard the United States as a hard, self-interested capitalist power. Although the nuclear brinkmanship of President Eisenhower's secretary of state, John Foster Dulles, created strains, the right and center of the Labour Party and the entire Conservative Party, except for a chauvinist fringe, were instinctively pro-American for the rest of their political lives.

The downside was that Britain became less amenable to its real status: an elder and maybe most-favored child, but not a liberated mother. It was a recipient, not a donor, yet it tried to behave as though the reverse were true. There was a mixture of the splendid and the ridiculous in the British attitude. London led Europe in responding to Marshall's speech, yet, having led the continent, the British government sought to detach itself from the rest. This was a remarkable and depressing precursor of Britain's relationship with Europe in subsequent decades. Throughout June 1947, British statesmen pushed for a special co-distributor status, but the ludicrous nature of their aim became clear in the decisive meeting held that month. Attlee, Bevin, President of the Board of Trade Stafford Cripps, and Chancellor of the Exchequer Hugh Dalton—an array of ministers whom history has judged more impressive than most of their predecessors or successors—assembled at Downing Street to argue their case before Under Secretary of State for Economic Affairs Will Clayton, who was no more than the third-ranking official in the State Department. Clayton held firm, but his interlocutors did not; they had no ground on which to stand, and, to their credit, they

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cooperated enthusiastically even though the terms were not to their liking.

The only practical result of this dispute was that, with compromise an important element in most international negotiations, the British were left a little more free than the continental Europeans in their use of "counterpart funds," the monies the assisted governments received from the sale of commodity aid in national markets. Paradoxically, the British, who relied on these funds mainly for the fiscally responsible but unimaginative purpose of paying off debt, probably got somewhat less benefit out of the Marshall Plan than did the others. The French used the counterpart funds for a bold program of investment in their national infrastructure, laying the groundwork for the preeminence of the French railway system from the 1950s on and, more generally, transforming the rather backward industrial society of the Third Republic into the advanced technological power of the Fifth. The counterpart funds allowed the Germans to pull themselves out of the mire by giving their manual laborers enough to eat for the first time since the war. At the time of the announcement of the American aid offer, German exports were only 19 percent of their 1936 level and output per head was only 52 percent of that level. In 1950, one year after the devaluation of the European currencies against the dollar, German exports rose 162 percent; in the same period, Britain's exports rose only 12 percent.

By June 1947 European integration was already a major U.S. foreign policy goal, and the United States was willing to endure some trade discrimination to foster this political objective. The Marshall Plan's integrationist agenda opened a mild but persistent disagreement between Britain and America. The Attlee government could tolerate the European Payments Union, but the Schuman Plan for a European Coal and Steel Community went too far. The (failed) European Defense Community was too integrationist and supranational for the second Churchill government, as was the European Economic Community, or Common Market, for the short-lived Eden government. In these early years Britain set a policy of partial detachment from European integration that would last for decades. This caused irritation in Washington, particularly when London presented its policies as part of the British effort to be a faithful partner with America. Compared, however, with the more dangerous and basic differences of 1945 over the approach to the Soviet Union, this disagreement was relatively innocuous.

LUCKY GAMBLE

The Marshall Plan undoubtedly provided a major impetus toward European unity, and that was one of its great attractions for the United States. But as the Harvard speech approached, Marshall made an important decision, which might have imperiled this objective, and Truman took some persuading of its wisdom. Aid, Marshall concluded, must be offered to all of Europe, not merely to the noncommunist countries. If Europe was to become deeply divided, the deed must be done—and must be seen as done—by Moscow and not Washington. The Russians came to the initial Paris meeting and allowed their satellites to attend as well. But once there, they made it clear that they would be delighted to receive American money but only on a bilateral

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basis and without any commitment to economic coordination. When the United States refused these terms, the Soviet Union withdrew and took seven Eastern European countries with it. Marshall's calculated risk came off.

It was lucky that the Soviet foreign minister, Vyacheslav Molotov, did not remain in Paris, half cooperative and half sullen. Had he stayed, the venture would probably have led only to some limited transfer of funds from the United States to Europe and then run into the ground. Furthermore, had Marshall's gamble failed and had the Russians welcomed a full cooperative effort, the plan might have become an assuaging force in East-West relations, but it would not have served to help unify Western Europe, for a federation extending from Paris to Moscow was not remotely feasible. Such an impasse might have eased the problems of successive British governments in their efforts to keep their country half in and half out of Western Europe, but it would not have aided the remarkable economic resurgence of the 1950s and 1960s in Germany, France, and the countries clustered around them, or the almost miraculous Franco-German rapprochement in the 1970s. The Marshall Plan would have remained an exceptional example of the confluence of generosity and enlightened self-interest. But it would not have had the formative psychological and political impact that is its legacy.

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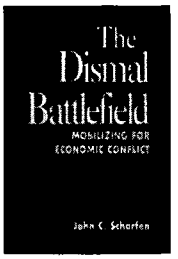
by John C. Scharfen



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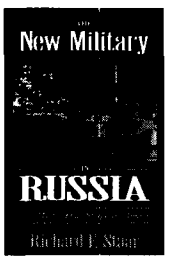

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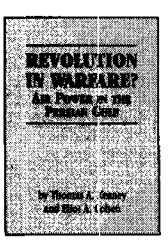

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Lessons of the Plan

Looking Forward to the Next Century

Walt W. Rostow

Three dimensions of the Marshall Plan increase in significance with the passage of time. The first is the plan's role in producing a postwar global economy that would avoid the problems that plagued the West between the two world wars, including those that led to the Great Depression. The best economists of the United States and Europe felt that severe unemployment was the major danger in the wake of the war. Moreover, many feared that countries might again embrace protectionism as the world spiraled into the grasp of economic nationalism. To build a trade and monetary system that would bring their hopes to life, American planners tied their aid to the liquidation of the wartime debt that Western European countries had incurred with their colonies and other developing nations.

Second, the Marshall Plan helped shape the military and political events of the late 1940s and early 1950s and was in turn shaped by them. These included the communist pressure on Greece and Turkey, which led to the Truman Doctrine in March 1947 and Marshall's more constructive proposal in June of that year; the decolonization crises experienced notably by France, the Netherlands, and Belgium, which strained those countries' economies; the Soviet blockade of West Berlin and the creation of the North Atlantic Treaty Organization, which flowed directly from the extension of West German currency reform to West Berlin; and the Korean War, which led the United States to commit four divisions to NATO, raised the question of West German disarmament, and

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converted the Marshall Plan into a military support program.

The final aspect is the Marshall Plan's role in promoting the move toward European unity. Europeans took the lead in this effort, but they received critical support from both major parties in the United States, despite integration's implicit anti-American rationale. This anti-American undertone may surprise some today, but it was at the time understood with some subtlety on both sides of the Atlantic. Nevertheless, Americans undertook the Marshall Plan as a national effort. It involved the executive branch and Congress, Democrats and Republicans, the private sector and trade unions, farmers, and a significant portion of the electorate. Only the major war that had preceded it had more fully mobilized American society.

Early in 1946, while serving in the German-Austrian Economic Division of the Department of State, I concluded that if the United States restricted itself to housekeeping tasks within the American zone of Germany and of Berlin, it would ultimately preside over the split of Germany and Europe and harm the prospects for a sound European recovery. Consequently I wrote a memorandum advocating a concerted approach to the continent's economic and security problems, which envisaged an offer of assistance to all of Europe, including the U.S.S.R., and was committed to proceeding in the west if Moscow's response was negative. This plan gained the backing of top State Department officials including Dean Acheson and William Clayton, but James Byrnes, then secretary of state, rejected it, preferring to present the Russians with a proposal for a 50-year disarmament of Germany. Byrnes did, however, endorse the proposed Economic Commission of Europe, in which I later served within the office of the executive secretary. The ECE had members from both blocs and might have been the institutional home for the future Marshall Plan if Stalin had permitted Eastern European participation. These early proposals helped set in motion work among like-minded staff at the State Department that proved operationally useful a year later when George Marshall set forth a similar plan at Harvard's commencement in June 1947.

THE VISIBLE HAND

Seen from a broad perspective, the Marshall Plan reflected the conviction, shared by a good many—though not all—Americans, that the isolationism and acute nationalism that had flourished from the presidential election of 1920 until Pearl Harbor, especially during the Great Depression, must not again hold sway. American leaders who held these views tried to make sure that there would be no repeat of such episodes as the U.S. withdrawal of short-term loans to Europe in 1928 so as to take a profit on the stock market. An international conference held at the New Hampshire resort of Bretton Woods in 1944 created the International Monetary Fund to assure that short-term lending would not be determined by short-term private considerations. To provide similar guarantees in long-term lending, the conference created the World Bank.

The Bretton Woods conference also set out to tackle the problem of protectionism. Agreeing that tariffs had proved an illusory device for shielding nations from the vicissitudes of international trade, the conference participants com-

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mitted their countries to negotiate an approximation of worldwide free trade. But the postwar period was marked by a dramatic shift in the terms of trade, the prices of a country's or region's exports in relation to the prices of imports; the terms of trade had declined modestly between 1933 and 1938 for Britain, Western Europe, and the United States but fell precipitously by some 30 percent for all three in the late 1940s. Thus in 1947 Western Europe confronted an awkward combination of unfavorable terms of trade and a related shortage of dollars. The essential foodstuffs and raw materials European recovery required—grain, cotton, vegetable oil, meat, dairy products, petroleum, and metals—could be acquired only from the United States, given the levels of output elsewhere. The postwar pressures for protection in Europe were, not surprisingly, intense.

The Marshall Plan helped cover the shortage of dollars while Western Europe expanded its agricultural production and shifted, wherever possible, from dollar to non-dollar imports. By 1951 grain production in Western Europe, except in Britain, which had expanded agriculture during the war, was not yet back to where it had been in the 1930s, but it was rising, and the postwar dependence on dollar imports was falling. The consequences for the developing world were dramatic. From 1945 to 1951, Third World countries, especially overseas exporters of foodstuffs and raw materials, were able to acquire a relatively greater quantity of European manufactured imports for a given quantity of their exports. This tendency was enhanced in some cases by a country's ability to increase imports by drawing down sterling balances and other reserves built up during the war. For example, the volume of Argentine exports actually declined slightly between the periods 1940-44 and 1945-49, but imports increased 90 percent.

By 1950 the upshot of the European recovery, facilitated by Marshall Plan aid that narrowed the dollar gap, was clear: exports from Western Europe, except from Germany, had surged; European imports had expanded at a slower rate; Third World countries, which enjoyed favorable terms of trade, had seen a disproportionate rise in exports; and, above all, world trade had experienced a remarkable resurgence, which lifted it for the first time above the levels of 1929. These benign outcomes were among the least noted consequences of the Marshall Plan as it was implemented in the form of the European Recovery Program. The program not only revived Europe, but reestablished a vital triangular trade between Western Europe, the United States, and their trading partners in the developing world.[1]

BUTTER TO GUNS

The European Recovery Program did not, of course, proceed in a vacuum. The world changed a great deal between the end of the Second World War and the death of Stalin in early 1953, soon followed by the end of the Korean War. Nationalist sentiment grew more pronounced in restive colonial areas, and colonial and quasi-colonial relations were succeeded by independence in Asia, the Middle East, and Africa. This sea change yielded communist-backed guerrilla wars in places like Indochina and Malaysia, and at times catapulted into power local figures, fresh from struggles

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against colonial rulers, for whom economic development was at best a secondary concern, such as Indonesia's Sukarno and Ghana's Nkrumah. Just as Marshall aid started flowing, France, the Netherlands, and Belgium became caught up in colonial crises, as local groups demanded independence from their European rulers. These crises strained the European states' economies and drove them to seek military and other help from the United States.

More directly linked to the European Recovery Program was the 1948-49 Berlin crisis, a confrontation that arose from efforts to reform the West German currency and lay the foundation for Germany's comeback. When the new currency was extended to West Berlin, Stalin responded by laying down a blockade of that besieged city. The postwar allies, notably the United States and Britain, supplied West Berlin with food and fuel via an airlift. Neither side wanted a major war over this matter, and the success of the airlift ultimately compelled Stalin to back down. The communist invasion of South Korea on June 25, 1950, came as a shock. It was programmed to exploit gaps in American military thinking and policy that had developed after 1945. Only after the attack in Korea was National Security Council directive 68, which envisaged a tremendous increase in conventional U.S. capabilities, implemented.

Against this background, the difficult question of German rearmament arose. An immense ground force was needed in Western Europe to deter the Soviet infantry potential, backed after 1949 by a nuclear capability, and Britain, France, Italy, and the United States were all under political and economic constraints that precluded the development of a sufficient European force without a substantial German contribution. German opinion was divided for several reasons. Some feared that the Soviets would regard the arming of West Germany as sufficient provocation for beginning a war. Others were concerned that it would foreclose the possibility of negotiations with the Russians on German unity. On another front, some felt that the rearmament would revive the German martial spirit and that this reawakened militarism might set back democratic, pro-Western forces in West Germany. All Marshall Plan participants recognized that the economic and political stability of Germany was fundamental to the future of the continent, and the effects of rearmament on the German domestic situation were naturally of great concern. In France, the reemergence of German military strength generated profound instinctive opposition. Partly to ease those fears, the United States, after a searching congressional and public debate, committed itself in 1951 to maintaining four divisions in Europe—a momentous decision, especially considering previous American reactions to French requests for a security guarantee, stretching back to Versailles in 1919.

Thus the Korean War brought about a shift in American military and political strategy, raised the irrepressible issue of German rearmament, and reshaped European security. It brought to the fore a range of new issues and responsibilities for Washington, including expanded U.S. military aid to Europe. But by that time, only four years after the beginning of the Marshall Plan, Europe had recovered and was on its way.

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BINDING GERMANY

In the relative quiet that followed the post-1951 improvement in Europe's terms of trade, the death of Stalin, and the conclusion of the Korean War, Europe, including Germany, began to prosper, and thought naturally turned to the long run. The Marshall Plan had given Europe a start on dealing with two abiding problems: the acceptance of a vital Germany in a Europe that would not fear its revival—a central problem in European security since German unification in 1870—and the maintenance of ties, however tenuous, to the Soviet Union and Eastern Europe, looking to the day when Stalin's empire would collapse. Europe's own efforts to address these issues revolved around what had been a minor Marshall theme compared with the economic recovery of the individual countries: European integration. After 1950 movement toward a greater sense of fraternity in Western Europe focused on the relations between France and Germany. The epic meeting in May 1950 between Jean Monnet of France and Konrad Adenauer of Germany was an authentic turning point in modern European history.

During a solitary two-week holiday in the Alps just before the meeting, Monnet worked out a grand European strategy to present to the West German leader. The rationale for European integration stemmed from two sources. First, as West German recovery proceeded and the increasingly intense Cold War demanded a more active German military contribution, Franco-German tensions were bound to rise. Within the existing framework, France could maintain the existing constraints on German power only through indefinite allied control, but this was inevitably a losing game as West Germany moved toward an equal role in an American-led anti-Soviet coalition. Second, neutralism had become increasingly popular in France and elsewhere in the West, but that path had to be rejected. A neutral Western Europe would be powerless to affect the course of the conflict between the two non-European superpowers. A united Europe with its own voice in the great affairs of the world could exert influence over the Cold War.

For Europe to unite, France and Germany first had to find firm common ground, and only France could initiate that process. In his memoirs, Monnet described the ensuing conversation with Adenauer:

> 'We want to put Franco-German relations on an entirely new footing,' I said. 'We want to turn what divided France from Germany—that is, the industries of war—into a common asset, which will also be European. In this way Europe will rediscover the leading role which she used to play in the world and which she lost because she was divided . . . The aim of the French proposal, therefore, is essentially political. It even has an aspect which might be called moral.'
>
> Adenauer listened attentively and answered with warmth: 'For me, like you, this project is of the highest importance; it is a matter of morality. We have a moral and not just a technical responsibility to our people, and that makes it incumbent upon us to fulfill this great hope . . . I have waited 25 years for a move like this. In accepting it, my government and my country have no secret hankerings after hegemony. History since 1933 has taught us the folly of such ideas. Germany knows that

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its fate is bound up with that of Western Europe as a whole.'

When we had finished, Adenauer rose to his feet. 'Monsieur Monnet,' he said, 'I regard the implementation of the French proposal as my most important task. If I succeed, I believe that my life will not have been wasted.'

On January 11, 1952, the West German Bundestag ratified the Schuman Plan for a transnational coal and steel community. A series of European institutions were created in the years that followed, culminating in the 1957 Treaty of Rome and the resulting European Economic Community. Nationalism in Europe was still alive and well, as indicated by the failure of a "European Army" in the French Parliament in 1953 and the preeminence of General Charles de Gaulle in the decade after 1958. But the emergence of the European Community and the continued presence of American ground forces in nato provided Europeans with greater security than they had ever enjoyed in the past.

However, a paradox persisted even as American administrations of both parties supported and cheered on the movement toward European unity, for that movement had a distinctly anti-American cast. Europe's leaders wanted their united continent to be accorded dignity in dealings with both the Soviet Union and the United States. Fratricidal warfare in Europe had twice required the intervention of two extra-European powers, the United States and the Soviet Union, to salvage democracy on the continent, and the Europeans did not want to permit either state such influence again.

The progress toward European integration in the 1950s owed something to the Marshall Plan, but it was carried forward primarily by the Europeans who remembered life on the continent before 1914: Adenauer, Monnet, Italy's Alcide de Gasperi, and France's Robert Schuman. They were proud men, the product of a great civilization. They were determined that Europe, brought low by the wars of the twentieth century, would rise again. And they made common cause, not with their sons who had failed between the wars, but with their grandsons who had fought with courage in the Resistance and on the battlefields of the Second World War. That connection between grandfathers and grandsons was the key to Europe's revival.

LESSONS OF THE PAST

As the world faces the challenges of the next half-century, it must remember that the Marshall Plan was the right policy for its time and place but that those circumstances are not likely to recur. The success of the Marshall Plan has generated the false hope that the application of capital and technology could do for Third World countries, inner cities, and post-communist Eastern Europe what was achieved in Western Europe in the wake of World War II. Unlike these areas, Western Europe did not need to be invented, it simply had to be recalled. With its skilled and educated work force, its market experience, and its mature political structures, modern Europe is not easy to replicate. At their best, the developing countries, such as South Korea and Taiwan, took two or three decades to catch up with the advanced industrialized world. At the other end of the spectrum, sub-Saharan Africa has not mounted a takeoff after more than 30 years of independence.

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Furthermore, the United States, undamaged and at full employment, was a great power in absolute and relative terms after the Second World War. Now Europe has recovered, as has Japan; medium and large new powers have emerged in Asia; Argentina, Brazil, and Mexico are likely to make great progress in Latin America. Power has greatly diffused in the past 50 years, and, over the next 50, a good many nations may acquire the most sophisticated new technologies. The United States is likely to be the "critical margin" in this world but certainly not the last remaining superpower.

The Marshall Plan deserves an honored place in history, but it cannot be blindly or rigidly applied to efforts to solve the challenges of today and the future. However, the experience of the Marshall Plan offers helpful insights as we attempt to deal with the world emerging in the wake of the Cold War. India and China are moving toward full industrialization, and Latin America will see the further development of its considerable powers. Africa's population will surge, even as the continent's economies stagnate. Food prices will rise along with allocations to protect the environment, as the global population levels off at ten billion.

Simultaneously, the industrialized world must cope with declining birth rates. The populations of European Russia and Germany are already falling; Japan and Italy are aging rapidly. Other advanced industrial societies will follow soon enough. Among the developing nations, Taiwan and South Korea already show a fertility rate below 2.1 children per couple, which promises a stagnant or falling population. In the industrialized West, the ratio of the work force to the retired elderly is about five to one. This is estimated to fall to two or three to one by the middle of the 21st century, thus jeopardizing existing social welfare systems.

The world will require a new political economy to deal with the strains imposed by the full industrialization of the developing states, and the stagnant or falling birth rates and aging populations of the older industrialized states and the more precocious developing countries. This is not the occasion to lay out comprehensive thoughts on how to deal with the problems of the next century. But the political structure of the Marshall Plan embodied two principles that bear on them directly.

First, political support in the United States for the Marshall Plan was bipartisan and embraced most of the country's major interests. The United States should face the truly revolutionary problems that the next century will bring with an equally bipartisan and broad-based foundation. Second, the Marshall Plan's program was not worked out bilaterally by the United States and the individual countries of Europe but multilaterally. The behind-the-scenes influence of the United States was immense, and the staff work provided by the states differed considerably, but one cannot overestimate the importance of the Marshall Plan's multilateral character. It provided an essential element of dignity and partnership to even the smallest powers. In the 21st century, the diffusion of power makes it even more essential that plans of action be arrived at on a multilateral basis.

The 21st century will not be worth living if we neglect the lessons of the preceding century: efforts at regional or global hegemony end badly, as Germany, Japan, and the Soviet Union discovered. As

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China and India reach industrial maturity, the older industrial powers may be brought closer together, and Russia may be forced into closer association with the West. In short, as the architecture and the issues of the 21st century become clear, the West may face problems of integration on a scale larger than those of the Marshall Plan period. The Marshall Plan did not merely put the economies of Western Europe back on their feet. It was part of the effort to create a world unlike that of the failed interwar years; it was closely interwoven with the military and political campaign to deny communism's global vision; and it was the matrix within which the Europeans drew together and learned from a parochial past. This is indeed a story from which the world can garner a few lessons.

NOTES

[1]From 1951 through roughly the mid-1960s, the terms of trade shifted sharply in favor of Europe and against the developing countries, whose terms of trade remained poor until 1971. During this period, the merits of development aid—as well as development theory and policy—became a fashionable subject of debate among both bureaucrats and scholars.

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Miles to Go

From American Plan to European Union

Helmut Schmidt

Three speeches had a decisive impact on the economic and political rehabilitation of Europe after World War II: Winston Churchill's in Zurich in 1946 about a United States of Europe; George Marshall's at Harvard in 1947, offering American aid to Europeans struggling to escape their postwar predicament; and Robert Schuman's in Paris in 1950, proposing communal control of Europe's coal and steel resources. It would, of course, be unfair and historically inaccurate to credit these three men alone with Europe's successful revival. Many other leaders were instrumental in rebuilding the continent, and if not for Stalin's imperialism, many courageous acts in the United States and Western Europe, among them Secretary of State Marshall's plan, would have gone undone.

To understand the effects of the Marshall Plan, one must first comprehend what life was like for ordinary Germans, like me, toward the end of World War II and in those first turbulent years afterward. We had lost. I had been convinced for several years that we would, and many of my comrades in Germany's armed forces had reached a similar conclusion. During the day, we fulfilled our missions on the battlefield; at night, we hoped for a quick defeat of our own country. After the Battle of the Bulge in late 1944, when my division was driven out of Belgium and Luxembourg, I complained to my commander about Germany's war strategy: prudence dictated that we concentrate our energies on the Soviets in the east, and in the west let the Americans occupy as much German soil as they wanted. Although he angrily rejected my suggestion, he did not report me.

I had imagined that when we lost the war we Germans would have to live in

Helmut Schmidt was Chancellor of the Federal Republic of Germany from 1974 to 1982.

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Holland destroyed in World War II, . . .

caves and holes in the ground, but this apocalyptic vision turned out to be much worse than our actual conditions. True, we struggled for coal and food; there were days during the winter of 1946-47 when we stayed in bed because there was nothing to eat and nothing to burn for warmth. Divided into four zones and occupied by the Allies, Germany was in agony. Its remaining industrial capacity was being dismantled, unemployment was rising, and the black market was the only market. But my generation, cut off from the rest of the world since adolescence, had a great desire for knowledge and for a new beginning. I studied economics, while my wife taught in a secondary school.

Germans who grew up in the 1930s—I was 14 when Hitler came to power in 1933—did not know much about the rest of the world. Our knowledge of America was limited to the little we were taught in school: the Monroe Doctrine, the U.S. role in the First World War, Black Friday on the New York Stock Exchange. When the war broke out, my ideas about economic and social conditions in the United States did not have a positive cast. Only the widespread anti-American propaganda made me suspect that the United States must have some virtues; otherwise, why would Goebbels go to such trouble to debase it in our eyes? I do not remember Churchill's or Marshall's noted pronouncements from the postwar years, but I do recall a speech in Stuttgart in September 1946 by the American secretary of state, James Byrnes. For the first time, a

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. . . was then rebuilt with American assistance.

Western political leader projected positive, if vague, views about Germany's future.

PAX AMERICANA

In June 1948 the American, British, and French occupation authorities replaced the hopelessly inflated reichsmark with a new currency, the deutsche mark. Together with the gradual abandoning of the ration-card economy, this reform ushered in a totally different state of economic affairs. Until then, we had lived on the meager rations our cards got us, and money did not really matter, except in the shadows, where one paid six reichsmark for a single cigarette. Now money became all-important. The ration cards slowly disappeared over the next two years, and shops began to fill with goods we had only dreamed about: bread, butter, fruit, even coffee and cigarettes.

This monetary and economic revolution would never have transpired had it not been for the Marshall Plan. The American aid program became operational in Germany in the summer of 1948, about the time the deutsche mark was put in place. The Japanese currency reform of 1946 had largely failed, while that in Germany had succeeded, and the difference was the Marshall Plan. The American, British, and French zones of occupation in western Germany merged in 1949 to become the Federal Republic, and the new state was a success within a decade. I had been raised an Anglophile, but over the course of the 1950s the United States became my most-favored nation.

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In 1953 I was elected to the West German parliament, the Bundestag. At the time, the Soviet military threat loomed large, and many feared that communist parties might take over parts of Western Europe, as they had to the east. The Berlin airlift of 1948-49 and the formation in 1949 of the North Atlantic Treaty Organization (NATO), which West Germany joined six years later, alleviated the first concern, convincing me that the United States, Canada, and their European allies had irrevocably decided to jointly defend Western Europe in case of attack. We appreciated the risk the American government had assumed and saw the United States as the military, political, and economic anchor of the security and well-being of Western Europe. The United States had proved itself a generous nation, standing by its commitments and fulfilling its promises. "Pax Americana" seemed to me an accurate description of the age, and we Germans turned in hope and faith to the United States. Yet we were troubled by a nagging concern: the strategy of massive nuclear retaliation, which the United States had adopted during the Eisenhower administration, implied that in case of war against the Soviet Union, Germany would become a major battleground.

As the postwar recovery continued, it became clear that the market-oriented Western European economies, founded on the basis of free, private enterprise, had a far more promising future than the communist command economies of the Soviet Union, East Germany, and the rest of Eastern Europe. At the same time, European integration struck me as necessary, less for economic than political reasons. After the disastrous wars of the past hundred years, in which Germany had played a key role—the Napoleonic Wars, Bismarck's war against France, and two world wars—I believed it desirable to bind my country into a greater European entity to prevent the recurrence of such conflict. I became a proponent of the French political economist Jean Monnet's step-by-step approach that would tie France as well as Germany into the European Economic Community.

NO GRAND PLAN

Reflecting on the late 1940s and the decades that followed, one could come to the superficial conclusion that the Cold War had proceeded according to some master plan: the Marshall Plan was established, NATO and the European Community were formed, the Soviet empire collapsed, Eastern Europe was liberated, Germany was reunified. But history is far more complicated, for the chain of events included several crises that might have erupted in war. That outcome was averted thanks to leaders who did not act according to plan, but instead relied on their moral and national visions as well as their common sense. Our understanding of the Cold War must reserve a central place for historical contingency and skilled statecraft.

Had British Foreign Minister Ernest Bevin not enthusiastically embraced the Marshall Plan and had Britain and France not quickly coordinated the economic activities of the recipient countries, Marshall's idea might never have become reality. Had German Chancellor Konrad Adenauer capitulated to political pressure rather than stubbornly pursue his vision, the Schuman Plan and German membership in and contributions to NATO might not have come to pass. Had Harry Truman not

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reacted courageously and John Kennedy prudently, the two Berlin crises—the Soviet blockade in the late 1940s and the erection of the wall in 1961, which cut the city in two—might not have been overcome. Had Kennedy and his team not sensitively handled the Cuban missile crisis of 1962, it could have set the world afire. If not for the insights and efforts of Jean Monnet and later Charles de Gaulle, France and Germany might never have been reconciled.

If not for the Helsinki Act of 1975, which called for the protection of human rights throughout Europe and was signed by Soviet Premier Leonid Brezhnev and all the other communist dictators, the dissident movements led by Lech Walesa in Poland, Vaclav Havel in Czechoslovakia, and Andrei Sakharov in Russia might never have emerged and persisted. Helsinki would not have occurred without West Germany's *Ostpolitik*—détente with the eastern bloc—a policy whose rationale many in the West doubted at first. China would perhaps not have grown to be a rational world power had Richard Nixon and Henry Kissinger not seized the opening in the early 1970s and had Deng Xiaoping not unexpectedly pursued economic reforms while maintaining a firm grasp on power. And finally, the tensions within the Soviet Union might have resulted in outward aggression rather than the empire's implosion if not for Gorbachev's perestroika and glasnost.

The United States, the Soviet Union, France, Britain, China, Japan, indeed most countries—including my own—did not pursue consistent and clear strategies over the last 50 years. Over that half-century, the perceptions and aspirations of political elites everywhere changed. New leaders came to power with new goals. Sometimes the process took decades, as with the momentous reversal of imperialism under Gorbachev. Sometimes it took just a few years, like the transformation from Mao Zedong's disastrous policies to Deng's "socialist market economy with Chinese characteristics."

De Gaulle vetoed Harold Macmillan's effort to bring Britain into the European Community, but less than a decade later, another British prime minister, Edward Heath, succeeded because the next French president, Georges Pompidou, was not opposed. John Kennedy led his country into tragedy in Vietnam, and only after many years of humiliation was Ronald Reagan able fully to restore American self-esteem and pride. But Reagan's Republican Party showed little respect for the United Nations, which America had helped design and build after World War II.

The entrepreneurial and financial elites have changed their views as well. Under Roosevelt's aegis, John Maynard Keynes and Harry Dexter White created the Bretton Woods system, which made the American dollar the keystone of the global financial system. A quarter-century later, Nixon took the dollar off the gold standard, unintentionally sparking instability in exchange rates and opening the door to unprecedented speculation in the financial markets. A new capitalist attitude arose, first in America but quickly spreading all over Europe, which put "shareholder value" above loyalty to a corporation's employees and clients—and in some cases even one's country. Today the question seems to be: what can I do for my business and thereby for myself? In the United States and especially in

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Europe, governments see their powers challenged by multinational corporations, and tax evasion has become common. And the globalization of financial services weakens governments' ability to control speculative escapades.

THE FALSE PROMISE OF AID

The United States and Europe have fared much better than anyone imagined at the time of the Marshall Plan. They have produced leaders who have guided them smoothly through many unforeseen events and crises. Aldous Huxley's brave new world is not in the making, and neither Oswald Spengler's decline of the West nor Samuel Huntington's clash of civilizations is unavoidable.

But grave problems, very different from those of the postwar years, lie ahead. The world's population has quadrupled in the last century, and the explosion will continue, bringing still greater misery to much of Africa, Asia, and Latin America. The demographic tension is already beginning to lead to wars and mass emigration to North America and Europe. Not since the end of World War II has the world seen so many millions of refugees.

The Marshall Plan is hardly the model for a solution to these coming challenges in the developing world. Over the last 50 years, the developed world has spent huge sums on development aid and the World Bank has been very active, but, with a small number of exceptions, these efforts have not been successful. Megacities, marked by poverty and violence, are mushrooming throughout the developing world. Marshall aid was successful because Europe possessed a long-standing entrepreneurial heritage, a base of business acumen, a high level of general education, and technological knowledge as well as engineering capabilities. No Marshall Plan can succeed where such prerequisites do not exist.

A large-scale Marshall Plan for Russia would probably fail because many years must pass before Russia will generate the entrepreneurial skills and develop the personal experience in decision-making among managers and employees. By contrast, China does not need such an aid program, thanks largely to the entrepreneurial heritage cultivated in the 60 million overseas Chinese, many of whom are now loyally investing in the mother country, despite its communist regime. Western corporations have followed their example, adding to the infusion of capital. In central Europe, the Czech Republic, Hungary, and Poland are on a satisfactory course toward industrial and financial development, and the three Baltic republics are hopefully beginning to move down that path. But many other countries in Eastern Europe and on the Balkan Peninsula are in dire need of help, for neither democracy nor entrepreneurship has significant roots there.

It all comes down to one basic truth: aid will be successful only where the possibility of self-help exists or can be revived. Otherwise, these efforts will be limited to mere charity.

THE INTEGRATION IMPERATIVE

By the next century, there will likely be three superpowers: the United States; Russia, for in spite of its present weakness and foreseeable crises, the country still possesses enormous territory, rich mineral resources hitherto only partially explored and even less exploited, and military might, including great strategic

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nuclear capabilities; and China, which has an enormous population, soon to number 1.3 billion, a strong and growing economy that will make it the world's largest exporter within three decades, a highly trained and well-equipped military, and great influence in Asia and the Pacific Rim. Both Russia and China, however, may not achieve this status: Russia's great challenge is simply maintaining its cohesion, and China must build the necessary infrastructure in the inner provinces and avoid conflict between the poor interior and the well-to-do seaboard. Japan may also deserve a place among the superpowers thanks to its huge reserves of capital as well as net capital exports, but only if the Japanese can maintain their outstanding savings rate.

As this new world emerges, what will be Europe's role and weight in international affairs? Neither Britain nor France is a world power any longer, even if they find this difficult to admit to themselves. Italy ceased to be a world power when the Germanic barbarians destroyed the Roman Empire. And, after losing two world wars and constraining itself within a web of European institutions, Germany will never again become a world power. None of the European nation-states will be sufficiently influential to pursue its national interests alone as the world comes to terms with the oncoming global paradigm shift and attempts to address the host of issues that will arise over the control of financial markets, over exchange rates and freedom of trade, arms control, limits on population growth, and the deterioration of the atmosphere and the oceans. Only a vital European Union will have the political, economic, and financial weight to exert an influence on global affairs equal to that of the three superpowers. This perception is gaining ground among the leaders of the EU, and it provides an additional strategic motivation for European integration.

When Churchill spoke of the United States of Europe in 1946, he clearly had two strategic motives in mind: a barrier against Soviet imperialism and protection from future German expansion. Given the current weakness of Russia, Churchill's first concern is no longer relevant, but the second remains valid. In 1946 West Germany had some 40 million inhabitants, and by 1989 it had a population of more than 60 million, largely because of the influx of German refugees from the east. Since reunification, Germany's population is over 80 million, almost one-and-a-half times that of Britain or France and double that of Poland. Germany's preponderance in Europe poses a potential threat to the stability of the continent, and it must be bound into Europe-wide institutions, as Monnet and de Gaulle understood, and French President Jacques Chirac understands today.

During the 1960s the Common Market enabled the six participating countries—France, Italy, West Germany, and the three Benelux countries—to grow faster economically than the European countries outside the European Community. The EC's economic success has led eight additional countries to join the community since the early 1970s: Ireland, Denmark, Spain, Portugal, Greece, Austria, Sweden, and Finland. The quest for economic advantage is the third strategic motive for European integration. Only Britain joined the EC for a different reason: to retain her influence over European affairs.

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A fourth strategic motive, maintaining European influence in world affairs, is becoming ever more important. In the postwar period America fostered European integration because it furthered U.S. strategic interests. It was also natural that during the Cold War West Germany participated in the integration process while maintaining a close relationship with the United States, since Germany's security ultimately rested more on the United States than on its European allies. Because of this basic strategic reality, de Gaulle never succeeded in enticing Germany away from the United States. During nine years of very close personal cooperation with my French friend Valéry Giscard d'Estaing—first as ministers of finance, and then as France's head of state and West Germany's federal chancellor—he and I carefully avoided letting Germany's strategic preference be called into question.

But today Germany no longer lives under the Soviet threat, and Russia will not in the future occupy as important a place in German strategic thought. Naturally, NATO and the alliance with the United States no longer have the same influence on German grand strategy. Germany will remain in the alliance, but European integration—further development of the EU and close cooperation with France—is increasingly important. Germany remains thankful to the United States for the help and encouragement it received throughout the Cold War, and America can rely on this gratitude. On the other hand, the United States must understand that in the next century Germany will not automatically take its side in disputes between Washington and Paris. Germany's vital interest dictates that it not become isolated or insulated from its European neighbors, and France is the most important. It was France that first extended its hand in reconciliation with its traditional German enemy, and the two countries are now striving for a common European currency as both attempt to overcome mass unemployment. Other steps will follow: enlargement of the union, deeper and stronger EU institutions and infrastructure, and, later, a common foreign and security policy.

This process will of course experience crises and failures, as many as have plagued integration since 1954, when the French parliament voted down the creation of a European Defense Community. But I am confident that France and Germany possess sufficient political will and ability to overcome all such future crises. The basic strategic motives underlying integration will carry more weight than any transitory conflicts that might arise out of domestic politics, ideology, or vanity.

The European Union still has far to go. It is an undertaking unique in the history of humankind. Union members are, all of us, determined to maintain our different national languages, heritages, and identities. Nevertheless, we are joining together, not because of a dictator or conqueror, not because of one superior

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power, but because of our common belief that a strong and vital EU will best serve our respective national interests, however great the global transformations of the next century.

Some Americans frown on this prospect. They suspect that the new currency, the Euro, will detract from the importance of the American dollar. They suspect that a common EU foreign policy will weaken the hitherto dominant American influence over Europe's foreign policy. But they should rest assured that Europeans will remain committed to the values that they share with Americans: democracy, human rights, the freedom and dignity of the individual, and justice. Europe and America are closely linked by history, religious belief, philosophy and literature, and civic, democratic, and economic norms. These bonds will last. And the United States ought not to forget that the emerging European Union is one of its own greatest achievements: it would never have happened without the Marshall Plan.

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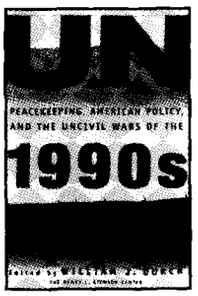

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